

REVENUE  HOUSE

FEDERAL INLAND REVENUE SERVICE AND TAXATION REFORMS IN DEMOCRATIC NIGERIA

Edited by
IFUEKO OMOIGUI OKAURU



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**Federal Inland
Revenue Service
and
Taxation Reforms
i n
Democratic Nigeria**

Federal Inland Revenue Service and Taxation Reforms in Democratic Nigeria

**Edited by
Ifueko Omoigui Okauru**



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Nigeria**

Edited by Ifueko Omoigui Okauru

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Introduction

The history of modern taxation in Nigeria is traceable to the reforms initiated in the first decade of the 20th Century in Northern Nigeria by the High Commissioner of the then Northern Protectorate, Sir Fredrick Lugard. Lugard issued the Stamp Duties Proclamation in 1903 and followed it with the Native Revenue Proclamation in 1906. The Native Revenue Proclamation 1906 systematized all pre-colonial taxes that existed in Northern Nigeria by defining taxable rates, procedures for assessment and collection as well as penalties for default. This made away with the arbitrariness that was the case in the pre-colonial era and introduced the four certainties essential in modern tax practice: what to pay, when to pay, where and who to pay to.

Following the amalgamation of the Northern and Southern Protectorates in 1914, the Colonial Government re-issued the Native Revenue Proclamation as the Native Revenue Ordinance 1917, but the application was still restricted to the northern territories. The application of the ordinance was extended to the western and eastern territories in 1918 and 1927 respectively to enable the levying of income tax in those regions.

Another major reform took place in 1943 when the Nigerian Inland Revenue Department, the precursor to the Federal Inland Revenue Service, was carved out of the Inland Revenue Department of British West Africa. The Inland Revenue Department was renamed the Federal Board of Inland Revenue under the Income Tax Ordinance No. 39 of 1958. This change was re-echoed again in 1961 when the Companies and Income Tax Act No. 22 of 1961 established the Federal Board of Inland Revenue, FBIR. CITA 1961 also established the Body of Appeal Commissioners as the first point of call in the resolution of disputes between taxpayers and the Board concerning assessment and payment of tax. Also, the Income Tax Management Act 1961 created the Joint Tax Board and charged it, primarily, to ensure uniformity of standards and application of personal income tax in Nigeria.

In 1993, some major changes took place with the passage of the Finance (Miscellaneous Taxation Provisions) Act No 3 of 1993 and decree 104 of 1993. While decree 3 reviewed the composition of the FBIR and also established the Federal Inland Revenue Service (FIRS) as the operational arm of the FBIR, decree 104, among other things, reviewed the functions of the Joint Tax Board. The history of tax administration changed dramatically again in 2007 with the granting of financial

and administrative autonomy to the Federal Inland Revenue Service through the passage of the Federal Inland Revenue Service (Establishment) Act 2007.

The passage of the FIRS Establishment Act was an actualization of one of several reform initiatives that arose from the recommendations of the Study and Working Groups on Nigerian tax system. The Study Group, headed by Professor Dotun Philip, was set up by the Federal Government in 2002 and submitted its report in 2003. The report of the Study Group was reviewed by the Working Group headed by Mr. Seyi Bickerseth and the implementation of the harmonized report of the two groups commenced in earnest in 2004.

I was appointed the Chairman of the Federal Inland Revenue Service by President Olusegun Obasanjo in May 2004. It became my lot as the new chairman to drive the reforms arising from the harmonized report of the two groups. The changes that have occurred in the tax system since 2004 cut across organisational restructuring of the Federal and State authorities, the enactment of a National Tax Policy, funding, legislation, taxpayer education, dispute resolution mechanism, taxpayer registration, human capacity building, automation of key processes, refund mechanism and several other areas discussed in detail in this book.

Political and socio-economic factors usually provide the context for every reform process. In the case of the 2004 reform era, the need to shift emphasis from oil to a more sustainable source of funding has been the overriding consideration. Of particular importance is the need to develop the non-oil tax segment and increase its overall contribution to the national coffers. Focused determination, support of key stakeholders and enabling political and legal environments have been critical in the successes recorded to date.

On a final note, let me conclude with the words of Robert G. Ingersoll, “He loves his country best who strives to make it best.” It is always a pleasure for me to serve my country.

Ifueko Omoigui Okauru

Executive Chairman, Federal Inland Revenue Service

Abuja, March 2012.

Acknowledgements

One of the challenges encountered in the course of writing this book was scarcity of information and data on some salient issues in the tax system prior to the 2004 reform era. This challenge in part, provides the justification for this book as well as other books on Nigerian tax history which I have had the pleasure to commission and the publication of which will soon be made public. Documentation, record keeping and proper stock taking have not been some of the best qualities of our public institutions. The consequence is that most past efforts and endeavours get lost. Therefore, subsequent initiatives have little or nothing to build on.

This book is aimed at documenting for prosperity, the reform initiatives implemented in the Nigerian tax system since 2004. The book outlines the changes that have taken place, the effect of those changes on the overall system and the steps needed to ensure that the gains recorded are not lost. It has been a tasking but also exciting experience both in driving those changes and in reflecting on them in this book. The book would not have been possible without the support of my staff.

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Ifueko Omoigui Okauru

Executive Chairman, Federal Inland Revenue Service

Abuja, March 2012.

Executive Summary

*Governments need money. Modern governments need lots of money.
How they get this money and whom they take it from are two of the
most difficult political issues faced in any modern political economy
– Sven Steinmo, Taxation and Democracy, 1993.*

This handbook chronicles the historic changes which have been witnessed in the regime of taxation in Nigeria's Fourth Republic, particularly since the 2004 reforms. Against the backdrop of more than a century of legal and institutional processes of modern taxation, which started in the colonial era, the handbook records, explains and reveals the complex processes - including the challenges faced and the subsisting constraints – which have led to one of the most advanced, most efficient, most effective, and most productive taxation regime and tax management institution in the developing world.

One important indication of the monumental achievements produced by the reforms since 2004 under the leadership of the Executive Chairman, Federal Inland Revenue Service (FIRS) Ifueko Omoigui Okauru, is that, in the fourth year of the reforms alone (that is, in 2008), the actual collection of 2. 972 trillion naira (N2, 972 trillion) in taxes was over and above the cumulative collection for the eight year period (1996-2003) preceding the reforms - which amounted to only 2. 682 trillion naira (N2. 682 trillion).

Historical Background

While the history of modern taxation in Nigeria started with the Stamp Duties Proclamation in 1903 in the then Northern Protectorate – which later became part of amalgamated British Colony of Nigeria – it was the Native Revenue Proclamation of 1906 that systematizes all existing pre-colonial taxes, thus bringing into place a new regime of tax rates. The amalgamation of the Northern and Southern Protectorates to form the colonial federation of Nigeria in 1914 led to the Native Revenue Ordinance, 1917, which was extended from the northern territories to the western and eastern territories in 1918 and 1927, respectively.

Since then, there has been a steady progress in the tax regime with various attempts to modernize, expand, reform and improve the process, procedure, and sanctions inherent in the system of taxation in Nigeria. In 1943, the Nigerian Inland Revenue Department was carved out of the

Inland Revenue Department of British West Africa. This Department was later renamed the Federal Board of Inland Revenue under the Income Tax Ordinance, No. 39 (1958). This was followed by the Companies and Income Tax Act, No. 22 (1961), which established the Federal Board of Inland Revenue, FBIR. The Act also created a Body of Appeal Commissioners to resolve tax-related disputes. In 1993, the Finance (Miscellaneous Taxation Provisions) Act No. 3 and Decree No. 104 established the Federal Inland Revenue Service (FIRS) as the operational arm of the FBIR and reviewed the functions of the Joint Tax Board (JTB), respectively. However, the history of tax administration in Nigeria changed dramatically in 2007 with the granting of financial and administrative autonomy to the Federal Inland Revenue Service through the passage of the Federal Inland Revenue Service (Establishment) Act 2007. This milestone in the history of taxation and tax administration was a result of the recommendations of the Study and Working Groups on Nigerian tax system. The implementation of the harmonized report of the two groups first began in 2004.

The implementation of the critical changes in the laws and institutions governing taxation and tax administration fell to the new board and management headed by Ifeuko Omoigui Okauru, who was appointed the Chairman and Chief Executive of the Federal Inland Revenue Service by President Olusegun Obasanjo in May 2004. This marked a new era in the history of both the legal and institutional processes of tax administration in Nigeria, bringing to place a scale and gale of modernization and reform practices which, hitherto, had never been attempted in the history of taxation in Nigeria. The reforms include organisational restructuring of the Federal and State authorities, the enactment of a National Tax Policy, reforms in funding, legislation, taxpayer education, dispute resolution mechanism, taxpayer registration, human capacity building, automation of key processes, refund mechanism and several other areas which are recorded and explained in this book.

Against the backdrop of Nigeria's political history marked by military incursion into politics, authoritarian rule and the attendant massive corruption, the nation's economic misfortunes have reflected the instabilities and gross distortions in the social and political life of Nigeria. The national economy inherited by the new democratic government in 1999 was one that was not only a mono-product economy (preponderantly based on oil revenues), but also one in which taxation was not regarded as a critical means of generating revenue. This was antithetical to the spirit and practice in every modern democracy. As Sven Steinmo argues, "Modern governments need lots of money. How they get this money and whom they take it from are two of the most difficult

political issues faced in any modern political economy.”¹ Indeed, taxation, rather than natural resources, such as oil, ought to be the central instrument of state economic policy in Nigeria - as it is of truly modern democratic states.

It is the realization of the centrality of taxation in the overall economic reforms started by the democratic government in the Fourth Republic that led to the reforms in the regime and administration of taxation in Nigeria.

Restructuring the Regime of Taxation

With its coming to power in 1999, the democratically-elected government of President Olusegun Obasanjo recognised the tax system as part of the critical areas of its reform agenda within the context of the government’s economic development blueprint: the National Economic Empowerment Development Strategy (NEEDS). The Study Group (2002) on the Nigerian Tax System, and the subsequent Working Group (2003) which reviewed the work of the former, helped to develop a new National Tax Policy. The Study Group concluded that Nigeria needed a National Tax Policy hinged principally on the foundation of fostering national development. Such a policy would constitute a means of (i) attracting foreign direct investment; (ii) consolidating several policy documents into a single document for easy reference; (iii) blending various opinions on taxes of different kinds, as well as the issues surrounding those opinions; and (iv) providing direction and focus on general tax practice.

Consequently, the Study Group recommended, among other things, that:

- a. Tax should be regarded as a citizen’s obligation to the Nigerian state for which he expects in return good governance, the provision of security, clean water and other social amenities.
- b. Tax should be collected only by career tax administrators, who are civil servants, not ad hoc consultants or agents.
- c. Tax efforts and focus should be shifted from direct taxation to indirect taxation.
- d. The number of taxes should be small in number, broad-based and yield high revenues.
- e. The machinery of tax administration should be configured to be efficient and cost effective.
- f. All the three tiers of Government should be free to set up their own administrative machineries for taxes under their jurisdiction, subject to the national minimum standards.
- g. The various tiers of Government must avoid the hitherto common internal double taxation by the Federal, State and Local Governments.
- h. In furtherance of the desire to reduce the tax burden on individual Nigerians, the National Tax Policy should be geared towards a low tax regime.

1 Sven Steinmo, *Taxation and Democracy*, New Haven and London: Yale University Press, 1993, page. 1.

Organisational Restructuring

The implementation of the harmonised report of the two Groups started in 2004. To achieve the objectives of the reforms, the conclusion was reached that a structure “that facilitates work flow from bottom to up, with work designed around work teams” was required. The pre-2004 structure was inadequate for this task. It not only bred inefficiency, indiscipline and fraud, it was so chaotic that it sorely limited the revenues that were derived from taxation all over the country. The reorganisation of the FIRS to ensure efficiency and effectiveness started after internal reviews and discussions of the harmonised recommendations of the Groups under the leadership of Omoigui Okauru. A new administrative structure was announced by the new Chairman of the FIRS in September 2004. As a first step, collection was integrated as a function of the ICT and PRS Division. Further, the different VAT and Area Tax Offices were collapsed into one-stop tax offices under the name Integrated Tax Offices (ITOs). As a follow up on these initial steps, the FIRS Management after due consultations with internal stakeholders identified seven strategic flanks upon which to drive the reform agenda. The seven strategic flanks are: funding/autonomy; capacity building (improved structure and staffing); process re-engineering (human resources, finance and procurement processes); audit oil and gas/large taxpayers; taxpayer education; strengthen investigation and enforcement; automate tax collection.

Other changes followed. One of the earliest departments to be established in the era of reforms was the Process Operations Department (POD), which had five units, including, (i) Information Communication and Technology Unit; (ii) Bank Collection Services Unit; (iii) The Return and Payment Processing Unit; (iv) Tax Refund Processing Unit; and, (v) Procurement and Due Process Unit. However, these new processes and unit faced serious challenges in the light of the existence of fraud syndicates and the absence of a secure electronic system. Yet another department was established. This was the Audit Department, because the new leadership realised that tax audit and investigation were core operational priorities of a modern system of administration. The existing units and processes in the pre-reform era lacked the requisite funding, training, independence and spread to function optimally. Added to these changes was the creation of the Tax Policy Research and Development Department (TPRD), which functions as the focal point of tax policy analysis, formulation and evaluation.

Beyond these, a Regional Coordination Department was also established to coordinate the activities of all the Integrated Tax Offices nationwide. Part of the department’s mandate was to increase the contribution of non-oil revenue to overall collections and to increase tax compliance amongst small and medium enterprises, States and Local Governments. A Modernisation Department was also created in November 2005 which was exclusively dedicated to the task of

handling the modernisation of FIRS offices, processes and overall outlook. The Investigation and Intelligence Division was created at the same time. It was later merged with the Audit Department in February 2006 to take over the operations of the Special Investigation Branch and the Intelligence Branch. The mandate of the new unit include, (i) investigation of civil and criminal cases and violations of tax laws; (ii) installation of an effective database and efficient intelligence network; (iii) prosecution of violators of the tax laws to serve as deterrence; and, (iv) fostering closer working relationships with other government agencies. Other divisions established included the Values and Doctrines Division - which was built on the whistleblower unit. This unit had earlier been established in August 2005 in the Office of the Executive Chairman of FIRS to serve as a window through which stakeholders and the public at large could reach the Chairman with reports of corrupt practices involving the FIRS and its staff. There were also the Quality Assurance and Change Process Coordination Division. The latter was one of the key organs created to drive the reforms by ensuring that all planned and systemic activities were implemented in the best possible way in terms of quality.

In June 2007, the Management of the Service introduced the “group system” structure in which roles and functions cascade from the group levels to departmental levels down to unit levels and finally to individual levels. The restructuring that saw the introduction of the group system made away with “Divisions.” Under the current arrangement, groups are headed by Coordinating Directors who report to the Executive Chairman. The groups consist of several departments headed by directors and the departments are comprised of units and sub-units down the line. The five groups that emerged from this are (i) Corporate Development Group (CDG); (ii) Support Services Group (SSG); (iii) Tax Operations Group (TOG); (iv) Compliance and Enforcement Group (CEG); and, (v) Chairman’s Office Group (COG).

The Nigerian National Tax Policy

A Presidential Committee was inaugurated in July 2005 to drive the recommendations of the Study and Working Groups on the development of a National Tax Policy. The Committee appointed a Technical Sub-Committee on the National Tax Policy headed by the Executive Chairman of the Federal Inland Revenue Service and charged it with the responsibility of developing the background policy document. In 2010, the final draft of the National Tax Policy was submitted to the Federal Executive Council. While the draft incorporated contributions from various stakeholders, the fundamentals of the draft were based on the harmonized report of the Study Group and Working Groups. The Federal Executive Council adopted the National Tax Policy on 20 January, 2010.

The National Tax Policy defines tax as “a financial charge or levy imposed upon an individual or legal entity by a State or a legal entity of the State; it is a pecuniary burden laid upon individuals or property to support government expenditure.”

The key economic thrusts of the National Tax Policy as a tool for national economic development include

- a. Stimulating the growth of the Nigerian economy by using tax revenues to develop basic infrastructure such as power, roads, transportation and other such infrastructure which will stimulate economic growth;
- b. Direct stimulation of certain sectors of the economy which are identified to be important for the creation of employment opportunities for Nigerians;
- c. Regulating and strengthening financial and economic structures and for correcting market imbalances and economic distortions;
- d. Income redistribution such that tax earned from high income earners is used for the provision of infrastructure for the lowest income earners. Taxes shall act as a means to create a social security net; and,
- e. Stimulating domestic and foreign investment.

Tax Legislation: FIRS Autonomy

The Presidential Technical Committee identified critical areas of amendment and provided justification for the amendment proposed in the existing laws. Between 2005 and 2011, six of these bills were passed by the National Assembly, while two are still pending. Perhaps the most critical in these new laws is The Federal Inland Revenue Service (Establishment) Act 2007. The Act grants the FIRS autonomy from the civil service bureaucracy, chiefly in the areas of funding and human resource management.

Judicial Processes

The Federal Inland Revenue Service (Establishment) Act 2007 establishes the Tax Appeal Tribunal to settle disputes arising from the operations of the Act, as well as the administration of the legislations listed in the First Schedule to the Act. The Tribunal was inaugurated on February 5, 2010. All eight zones of the TAT commenced sitting in the first quarter of 2011. The cases before the Tribunal include new and old cases that were initially pending before the Body of Appeal Commissioners and the Value Added Tax Tribunal.

Modernisation

Against the background of the resolve to modernise the FIRS in order to remain relevant and virile in the face of economic realities, the Service adopted a program of reforms along seven strategic flanks. These include: Funding FIRS/Acquiring autonomy; Strengthening investigation/

enforcement; Auditing oil, gas and large taxpayers; Providing taxpayer education and services; Re-engineering and automate collections/tax administration system; Building capacity in the areas of structure, staffing and specialization; and, Re-engineering and automating human resource processes, finance and procurement. These were followed by aggressive anti-corruption campaign, revised code of ethics and performance management/result orientation. The overall goal of the strategic flanks was to increase collection on a year-on-year basis by at least 25 percent relative to 2004 level. The development of strategic flanks further necessitated the need to have in place a structure that would drive the projects, programmes and initiatives that would transform the business processes of the Service to reflect modern realities.

This led to the creation of the Modernization Department in November 2005. The department's primary function is to provide a focused attention on all modernization projects. This has led to monumental changes in the operations of the Service, in particular, and tax administration in Nigeria, in general. These changes include the Taxpayer Identification Number (TIN), which is an initiative of the Joint Tax Board. The TIN is an electronic system of tax registration to identify taxpayer for life and would be available nationwide.

Compliance and Enforcement

In the area of compliance and enforcement, the Tax Operations Group (TOG) represents the "engine" that drives the Service and the channel through which all the relevant tax statutes are operationalised. This are done through the design of appropriate strategies and programmes to ease stakeholders' compliance burden and bring about an efficient and improved tax delivery services to customers. TOG's key functions include the assessment of persons, including companies and enterprises, liable to tax, as well as the assessments, collection, accounting and enforcing payment of taxes. These functions are carried out through the departments and functional units of the Group.

The Compliance and Enforcement Group provides the FIRS with the platforms necessary to enhance voluntary compliance within the tax system. Its ultimate goal is to ensure that tax revenue collection is enhanced through the mobilisation of the appropriate policy and legal frameworks. In order to achieve cohesion in the implementation of organisational goals, the various Groups and Departments involved in compliance and enforcement activities strive to build synergy in the performance of their duties. In appropriate cases, the Tax Operations Group refers cases of default of payment of tax to the Compliance and Enforcement Group to be handled by the Legal and Prosecution Department. The relevant organs of the Service have carried out important activities towards enforcing taxpayer compliance.

Tax Payer Services (TPS)

In 2007, the taxpayer education service function was moved to the Fields Operations, Policy and Programmes Department. In June 2007, the Internal Affairs Department was created and TPS functions were moved to the new department. The Internal Affairs Department later relinquished taxpayer services to the Corporate Communications Department. Prior to the merger, the Taxpayer Service Unit had two broad roles and responsibilities, which were Program Development, Monitoring and Evaluation, and Taxpayer Education Policy and Strategy. These were executed through the (i) initiation and monitoring of taxpayer education policy; (ii) preparation of manuals, brochures and circulars for field officers; (iii) representation of the unit on taxpayer service matters in other departments; (iv) publication of issues relating to the Taxpayer Identification Number; (v) monitoring the effective implementation of both electronic and print media publicity; (vi) distribution of relevant printed educative/informative materials to taxpayers; (vii) drafting and distribution of executive briefs, matters arising and general correspondence; and (viii) performance of any other duties assigned to it.

Entrenching a Strong Ethical Code

Prior to the reform era, there was no policy framework of ethics or values defining the operations of FIRS staff. However, in December 2005, the Values and Doctrine Division was established. The division, which was built on the foundations laid by the “Whistleblower” Unit, was established with the aim of projecting the image of the Federal Inland Revenue Service in positive light. The new division was placed directly under the FIRS Chairman with a mandate to ensure that all FIRS staff adhere strictly to the rules and regulations of the Service as well as the provisions of the Public Service Rules, Financial Regulations and other guidelines and administrative circulars of the Federal Government. Also, in 2004, the Investigation and Intelligence Division was created. The division consisted of three units namely Intelligence, Criminal Investigation and Civil Investigation Units. The division adopted the surprise-spot-check strategy in achieving its mandate of checking corrupt practices amongst staff. Through this strategy some staff members were apprehended over charges ranging from illegal possession and/or processing of documents (including Tax Clearance Certificates) and illegal tax consultancy services for taxpayers.

Automation of Key Processes

Project FACT (Friendly, Accurate, Complete and Timely) was conceived and implemented for the purpose of automating tax collection. Under the new system, taxpayers pay directly into collecting banks, which, in turn, remit to the lead banks, which then transmit the funds to the Central Bank of Nigeria. With the aid of appropriate software technology, the whole process is monitored real time by the Tax Revenue Accounting Department. This system has replaced the

old system which was prone to abuse because tax payments were frequently done by way of negotiable instruments. In addition to tax collection, other processes such as procurement and payroll administration, which, because of the manual nature, were prone to abuses are also being automated to ensure system integrity.

Capacity Building

The Learning and Development Department was created in 2007 to deliver qualitative, functional and professional training and improve the skills and capacity of members of staff to enable them drive the vision and mission of the Service. The restructuring of various organs of the Service, which is still ongoing, is to ensure that skills and competencies are pooled and harnessed within the requisite structures needed to drive the goals and objectives of the Service. The mission statement of the Learning and Development Department is to deliver qualitative, functional and professional development of staff, and support their ability to deliver the Service mandate at all times; and to equip staff to meet the challenges associated with delivering the Service mandate in terms of value, culture, professional and personal development. The key objective of the department is to strive for the emergence and sustenance of a learning organisation by providing the much needed environment that is conducive to continuous learning across the Service.

Asset Management

Prior to the reforms, the total real asset base of the Service stood at 31 buildings across the federation. These included 28 owned properties and three rented properties. The number of vehicles in the fleet of the Service prior to 2004 totalled about 194 vehicles of various categories. The estimated combined value of the vehicles as at 2004 was N250, 123, 051. As the 2004 reforms got underway, several changes were recorded in asset holding and management. The changes cut across structure, policy and processes.

The Facility Management Department created in 2005 consisted of two divisions namely the Works Division and the Estate Division. The Works Division was made up of the Construction and Maintenance Unit and the Facility Planning Unit. The Estate Division consisted of two units: the Purchase Unit and the Rent Unit. In 2010, the department was re-organised. While the functions performed by the divisions remained, the divisions were collapsed into two units namely the Facility Management Unit and the Project Management Unit. Prior to 2006, no systematic process existed. Therefore, the value of assets held by the Service was determined on the basis of guesstimate. Beginning from 2006, the combined strategies of asset accounting and asset classification made it possible to determine the value of various assets and properties of the Service acquired on a year to year basis. Between 2006 and 2009, the combined value of the

Service's fixed assets (inclusive of land and building, plant and machinery, furniture and fittings and office equipment) stood at N10, 393,155,233.70.

As at March 2011, the real property base of the Service had grown from 28 in the pre-2004 era to 96 properties across the various regions of the country. This includes seven owned properties and 58 rented properties acquired between 2004 and 2011. Overall, there has been an increase of 65 properties to the real asset base of the Service from the period 2004 to March 2011. This represents more than 200 percent increase in the real property value base of the organisation relative to pre-2004 holdings. Improved records keeping has made it possible to determine the exact number of vehicles as well as their value. From 2004 to date, the number of vehicles in the fleet of the Service has increased to 864 - an increase of 670 vehicles. In monetary terms, the combined value of vehicles acquired as at March 2011 was N2, 707, 458, 408, indicating a value increase of N2, 457, 335, 357 between 2004 and 2011.

Domestic and International Cooperation and Collaboration

Collaboration with external stakeholders has been part of FIRS culture for a long time. However, the new orientation that is an intrinsic attribute of the reforms agenda has placed greater emphasis on collaboration. This orientation seeks to re-focus the Service as, not just the government's "cash cow," but as a "customer-centric" organisation. The taxpayer is perceived not just as a source of revenue, but as a client whose satisfaction is central to the organisational goals of the Service. Against this backdrop, the Service has maintained and renewed its relations and cooperation with relevant domestic institutions. For instance, the cooperation with the Joint Tax Board (JTB) has resulted in the development and management of the Tax Identification Number (TIN) Project. The Service has also cooperated with The Tax Appeal Tribunal (TAT), The Nigeria Customs Service (NCS), The Central Bank of Nigeria (CBN), Federal Ministry of Finance, Corporate Affairs Commission (CAC), The National Assembly (NASS), The Nigerian National Petroleum Corporation (NNPC), The National Salaries, Income and Wages Commission (NSIWC), Revenue Mobilisation, Allocation and Fiscal Commission (RMAFC), The Economic and Financial Crimes Commission, banks and other Government Ministries, Departments, Agencies and other Tax Agents as well as taxpayers who are the most important.

Some of the strategies embarked upon since 2004 to smoothen interactions with taxpayers include taxpayer education services, SERVICOM and the practices of corporate social responsibility. All these strategies are aimed at not just enlightening the taxpaying public but also engendering confidence in the tax system.

Apart Nigerian stakeholders, the FIRS interfaces with a number of international development partners in order to achieve excellence in its operations. These partners include the United Nations Development Programme, the Department for International Development, the World Bank and the International Monetary Fund. The Federal Inland Revenue Service has also assumed the status of a key player in some international organisations which include the Commonwealth Association of Tax Administrators (CATA), African Tax Administrators Forum (ATAF) and Value Added Tax (VAT) Administrators in Africa (VADA); Organisation for Economic Cooperation and Development (OECD) and the United Nations.

Strategic Performance Management

In the pre-reform era, a division of the Human Resource Management Department was responsible for Planning, Research and Statistics (PRS). In June 2004, the PRS and ICT Units were merged to form Planning, Research and Information Technology Department with an expanded mandate covering information technology, planning, research and statistics, procurement and due process, bank collection services, collection accounting and coordination, monitoring and reconciliation. The organisational restructuring that took place in the Service in 2007 led to the de-merger of planning, research and statistics functions from ICT functions leading to the creation of separate departments to drive both functional areas. Since its creation in 2007, the Planning, Research and Statistics Department has been the key driver of planning in the Service.

In the area of Corporate Strategic Planning, in 2005, the Management produced the 2005-2007 Medium-Term Corporate Plan. The second Medium-Term Corporate Plan was developed in 2008 spanning the period 2008-2011. Both documents laid out where FIRS aspires to be and how it intends to get there. Specifically, corporate planning was intended to help drive the Vision and Mission of the Service by, (i) providing a roadmap outlining the current status of the Service and where it aspires to be; (ii) providing a framework for the FIRS Management on areas of focus in tax administration as well as key initiatives/strategies to embark upon; (iii) providing a benchmark against which actual performance can be measured and reviewed; and, (iv) outlining tasks, goals and objectives for all stakeholders within the Service. The major goal of the 2005-2007 Medium Term Strategic Plan which covered the proposed programmes of the organisation for the same period was “to triple 2004 revenue collection by 2007.” This goal was achieved.

Financial Performance

The core of the 2004 reform objectives was aimed at simplifying the returns and payments processes, embracing the concept of real self-assessment tax regime and encouraging voluntary compliance. Ultimately, the reform process aims at improving revenue collection at minimal cost to both the taxpayer and the Service. The Modernisation Plan upon which the business transformation process was anchored outlined specific collection targets to be achieved in the medium term and also identified seven strategic flanks as key drivers of the process. Since this

Plan came into operation, (i) the target and actual collections for the non-oil taxes have been continuously on the increase; (ii) the targets and actual collection for oil taxes have not been steady (This is informed by the unstable nature of world market crude oil prices. The factors that influence global oil prices are beyond the control of the Nigerian Government or any of its agencies); (iii) the 2004 collections of non-oil taxes more than doubled but did not triple as initially conceived. But they are higher than the amended 25% increase on yearly basis; (iv) the target and collection for non-oil started to compete favourably with oil taxes such that in 2009, collection of non-oil taxes was higher than collection of oil taxes; (v) the gains and benefits of the reforms manifested instantly such that the actual collection figure in 2004 was more than the actual collection figures for the two previous years combined. One of the greatest indications of the positive results of the monumental changes created by the 2004 reforms is the fact that, just four years into the reforms, the actual collection of 2. 972 trillion naira (N2, 972 trillion) in 2008 alone was over and above the cumulative collection for the eight year period from 1996-2003 which amounted to only 2. 682 trillion naira (N2. 682 trillion).

Board Management and Relations

The Federal Inland Revenue Service (Establishment) Act 2007 provides the Service with legal backing to articulate its policies. The passage of this Act was the defining moment in the history of governance in the Service. This is because the Act altered the composition, structure, procedure and tenure of office of key decision makers from what was obtained prior to its passage. Subsequently, in October, 2004, the new FIRS organogram was unveiled. This led to the establishment of the Quality Assurance/Change Process Coordination Division (QA/CPC). The birth of this division marked the starting point of the evolution of what is today known as the Internal Affairs Department.

The major change in the division took effect from 1 June, 2007 when Quality Assurance, Internal Audit and Stock Verification units were merged to form the Internal Affairs Department (IAD), which reports directly to the Executive Chairman FIRS. SERVICOM was moved out from IAD with effect from 1 July, 2008 and merged with Taxpayers' Services (TPS) as a unit of the Corporate Communications Department (CCD). Currently, the Internal Affairs Department has three main units which include, Internal Audit; Value for Money Audit; and, Quality Assurance.

Corporate Social Responsibility

The practice of CSR in the Federal Inland Revenue Service is a direct consequence of the 2004 reforms. Since one of the cardinal objectives of the reforms was to engender voluntary compliance, the Management of the Federal Inland Revenue Service under the chairmanship of Ifueko Omoigui Okauru introduced the concept of CSR to ensure stakeholder confidence in the country's tax system. In order to ensure that CSR is not practiced in a vacuum within the Service, a draft

policy that will serve as a plank for CSR activities has been submitted for Management's approval. While the draft policy awaits ratification by the Management, the performance of CSR as dictated by exigencies is currently under the guidance of the Executive Chairman.

Given the new ethos of corporate social responsibility at the FIRS, the beneficiaries of the Service's CSR gestures cut across private corporate organisations, individuals and government establishments. Altogether, under the chairmanship of Omoigui Okauru, the Service has spent close to 240 million naira on CSR sponsorships.

Also, the new massive changes brought by the reforms and its impact on the society and state at large have attracted a lot of commendations from the public. Based on the impact of these changes on the socio-political and economic fortunes of Nigeria, the Executive Chairman of the FIRS, Ifueko Omoigui Okauru, has also received numerous awards from various bodies in Nigeria for work related to the FIRS reforms project, as well as for her contributions to the current tax regime nationwide. In 2006, Thisday conferred the "Government Personality of the Year" award on the Executive Chairman for her role in driving the tax reforms. In 2009, the World Economic Forum in Davos, Switzerland recognised the contributions of the Executive Chairman of the FIRS and described her as a "Global Leader of Tomorrow." She has won several other awards.

Labour Relations

The year 2007 is regarded as a watershed in union activities at the FIRS. In 2004, the new FIRS Management resolved some of the lingering problems that afflicted, especially, the senior staff union of the FIRS staff. However, the conferment of autonomy on the Service in 2007 by the FIRS Establishment Act removed the unions from within the mainstream of the federal civil service structure. The immediate implication for the unions was the transformation in their status from "mere units" to branches. This meant that the unions could, without recourse to federal branch of either the ASCSN or the NCSU, affiliate with the Labour Congress or Trade Union Congress. In 2010, the Service, based on its autonomy, employed close to 2000 new staff. The new staff brought the total number of staff of the Service to over 6000.

Another positive development that came with autonomy in 2007 was improved funding for the Service through the cost-of-collection mechanism that ensured the Service retained a certain percentage of its non-oil collections for its operations. The unions keyed into the improved funds available to the Service and negotiated for new welfare package for staff of the Service. The new, improved salary was implemented in 2007. In 2011, through negotiations with the Management, another salary increment was approved effective July 2011. In addition to the

salary increment, the FIRS Management/Board also approved housing and car loan schemes for staff members of the Service commencing from the 2011 budget year.

Joint Tax Board

The Joint Tax Board keyed into the reform process by defining a new vision. This included a resolve to be innovative, dynamic and proactive in its assigned functions of advising, monitoring, implementing and evaluating an efficient and uniform tax and revenue generating systems for the benefit of the nation. In pursuit of the above vision, the Joint Tax Board embarked on institutional and operational reform which included organisational restructuring at both administrative and operational levels

Communicating the Change

In the post-2004 era, the Service was rebranded. The FIRS branding campaign was driven by the desire to (i) create a strong and viable corporate identity for the service, (ii) ensure uniformity in the manifestation of FIRS corporate identity in all its locations, and, (iii) encourage the imperativeness for and of a brand culture for FIRS staff as a collective responsibility.

In addition to this, a new FIRS logo was also designed and came into use. This came in tow which a Corporate Communication Unit which has produced a lot of new initiatives and milestones, including in the areas of a tax museum, taxpayer education, information management and media engagement. An FIRS Museum and Monument Committee was inaugurated on July 24, 2007. It was mandated to midwife the FIRS Tax Museum into reality. A corollary to this is the idea of documenting a comprehensive tax history of Nigeria. To this end, in November 2008, the Tax History and Policy Support Sub-Unit was created as part of the Technical Unit in the Office of the Executive Chairman of the Federal Inland Revenue Service.

This handbook, *Federal Inland Revenue Service and Taxation Reforms in Democratic Nigeria*, not only documents the monumental reforms carried out since 2004, it is also a major outcome of these reforms.

CHAPTER ONE

PRE- 2004 REFORM ACTIVITIES

THE MACRO ENVIRONMENT IN CONTEXT

Until the transition to democracy on 29 May, 1999, military rule had dominated Nigeria's political landscape for most of her history. The isolated years of popular democracy were the first six years of nationhood (1960-1966) and the four year interlude between 1979 and 1983. Another democratic experiment was initiated in 1991 with elections held at the sub-national levels of government and the legislature, but the process turned out to be inconclusive throwing the country into another phase of military rule until 1999. In this year, the General Abdusalami Abubakar regime conducted elections which ushered in the Chief Olusegun Obasanjo presidency at the centre and democratic governments at other levels of government in the federation.

The literature on Nigeria's politics and economy is replete with the ills of military rule. The reasons for the failure of the military in government are tied to the nature of military rule and the structural crisis of the Nigerian state. Not being an elected government, the military had no incentive for accountability in the running of public affairs. Also, the regimented command structure abhors dissent and therefore, is ill-suited for opposing viewpoints. Beyond that, change of government under the military, involving coups, is often erratic and mostly violent, thus undermining medium and long term socio-economic planning. The instability and uncertainty in regime change and the attendant policy reversals are disincentives to business and investment. It is not the intention here to restate the ills of military rule. However, in analysing the modern economic reforms that have been implemented in the country since the return to democracy, it is imperative to locate that analysis within the context of where the country was before the commencement of the reforms.

The economic report card at the beginning of the democratic era painted a gloomy picture. The National Economic Empowerment and Development Strategy, NEEDS, provide a succinct picture of the macro environment, especially economic indicators at the onset of the reform agenda. The picture was as follows:

- a. The average GDP growth rate between 1999 and 2003 was 3.6 percent; up from an average of 2.8 percent in the 1990s while per capita growth rate between 1999 and 2003 was 0.8 percent; up from 0 percent in the previous decade. Even with the improvements recorded in the four years between 1999 and 2003, the country's GDP of USD 45 billion in 2001 placed it among one of the poorest countries in the world while its per capita income of about USD 300 was 20% less than the 1975 level.¹
- b. External and domestic debts within the period 1999 and 2003 rose to about 70 percent of GDP. In the light of this, the real sector was dominated by primary production while secondary production had been stagnating steadily as a result of decline in infrastructure.²
- c. Urbanization growth rate as at 2003 was 5.3 percent, making it one of the highest in the world. In the face of a stagnant secondary production base, this implied acute urban unemployment with all the attendant consequences: crime and violence.³
- d. Annual investment rate at the period in question was 16% of GDP well below the 30% of GDP required to induce poverty reduction growth rate of 7-8 percent per annum. Other macroeconomic indicators: terms of trade, real exchange rate, government revenue and expenditure between the period 1975 and 2000 indicated some of the most volatile and unstable trends in comparison to other developing countries.⁴
- e. Foreign direct investment had been mostly in the oil and extractive industries while oil exports account for 95% of total exports and the manufacturing sector a mere 1 percent of exports. Perceptions of risk and the cost of doing business drove not just capital but skills outside the country leading to high levels of capital flight and brain drain.⁵

- f. Poor infrastructure (security, energy and power, roads and railways and communications) is responsible for high costs of doing business. In addition, corruption, rent seeking weak institutions and weak regulatory frameworks combined to undermine competitiveness and productivity in the private sector. This trend in turn makes diversification of the economy difficult.
- g. It was obvious in the face of all the foregoing challenges that Nigeria was greatly challenged in its struggle to attain the Millennium Development Goals.

The above scenario provides an insight into the general macro context of the pre-reform era. The return to democratic rule ushered in great expectations for what had quickly become a catch phrase in the country namely “dividends of democracy.” All the organs of government at the Federal and State level felt the need to justify the sacrifices incurred over the years in entrenching democratic processes. Specifically, the government was concerned about diversifying the economy away from oil, generating employment through the provision of an enabling environment for private production and creating wealth for the citizens. Beyond achieving all these as custodian of the public mandate, the economic activities that would be engendered through the reform process would also generate taxable incomes which government would re-invest in infrastructure and social security. It was in the light of these goals that the Federal Government led the way in the articulation of a development blueprint that would lay the foundation to reclaim the lost years and put the country on the path to sustainable development.

THE NIGERIAN ECONOMIC REFORM AGENDA

The pre-2004 Nigerian economic reform agenda was captured within the framework of the National Economic Empowerment and Development Strategy, NEEDS. NEEDS was a medium term plan (2003-2007) crafted by the Federal Government, with the buy-in of other tiers of government, the legislature, the organized private sector and the civil society, to reduce poverty, create wealth, generate employment and re-awaken the value system of the Nigerian society.⁶ Sub-national entities were required to replicate the goals and principles of the plan by implementing States Economic Empowerment and Development Strategy (SEEDS) and Local Economic Empowerment and Development Strategy (LEEDS) at the State and Local Government levels respectively. The implementation of NEEDS was based

on four cardinal strategies namely reforming government and institutions; growing the private sector; implementing a social charter; and value re-orientation.⁷

Reforming Government and Institutions: The strategy aimed at streamlining the size of government and its institutions into a compact structure based on professionalism and effective service delivery. In addition to enhancing efficiency, the restructuring aimed at reducing waste and redundancy so as to free resources for investment in infrastructure and social services.

Growing the Private Sector: Through privatization, deregulation and liberalization programmes, government aimed at shrinking the domain of the public sector by divesting from business investments in order to buoy up private sector participation. The role of government henceforth was to be an enabler (through the provision of infrastructure: roads, railways, power etc) and regulator (through legislation and policies) while the private sector would be the investor and manager of business investments. Special focus was placed on small and medium enterprises (SMEs) as critical generators of employment and through the collaboration with States, industrial clusters were to be promoted through agglomeration of industries to ensure economics of scale.

Implementing a Social Charter: The overriding philosophy behind NEEDS was people empowerment through creation of wealth, reduction of poverty, provision of security and inclusiveness in the governance process. This strategy identified threats that were capable of undermining the social fabric of society for elimination. Addressing the scourge of HIV/AIDS, inclusion of vulnerable groups in decision making and implementation, designing and implementing programmes targeted at the youths, women and the poor were some of the key tools under this strategy.

Value Re-orientation: corruption and rent seeking were to be eliminated through the creation of anti-corruption agencies and the establishment of procedures to guarantee transparency and accountability in the public sector. These efforts were to run side by side with value based campaigns to be led by the National Orientation Agency in partnership with Faith Based Organizations, Civil Based Organizations, Community Based Organizations and the private sector. The central message was that under NEEDS it was no longer “business as usual.”

NEEDS and the Macroeconomic Framework

Under the macroeconomic framework, the NEEDS document focused on four areas for policy intervention. These were the real sector; fiscal operations and policy; balance of payments; and monetary and exchange rates policies.

The Real Sector

The major policy thrust in the area of the real sector was aimed at:

- a. Sustaining a high, broad based non oil GDP growth
- b. Diversifying the production base of the economy away from oil and mineral resource
- c. Ensuring international competitiveness of the productive sector
- d. Reducing the role of government in direct production of goods while strengthening its facilitation and regulatory roles

Key instruments of the above policy thrusts and targets were identified as:

- a. Privatization, deregulation and liberalization
- b. Coordinated national sectoral development strategies for agriculture, industry (especially SMEs) and services
- c. Development of infrastructure especially electricity, transportation and water
- d. Mobilization of long term savings and investment and removal of obstacles in the financing of the real sector
- e. Provision of regulatory framework
- f. Targeted programmes to promote private sector growth

Fiscal Operations and Policy: Budget, Tax Reforms and Public Expenditure Management

The major problem identified in the implementation and management of fiscal policy is the high reliance by all tiers of government on oil receipts. The volatile nature of oil prices impacts negatively on effective fiscal management. Other problems include inefficiency in resource use, misplaced priorities, high fiscal deficits, weak institutional structures which

all combined to result to high debt burdens and huge recurrent expenditure. The policy thrusts identified as critical in addressing the above problems include:

- a. The use of a Medium Term Expenditure Framework (MTEF) to ensure predictability and sustainability of public finance at all levels of government
- b. Implementation of strategies and policies that are consistent with raising domestic savings and private investment
- c. Management of public debt

The three broad policy thrusts above were to be driven by the following instruments:

- a. Reformation of the budget process that guarantees early involvement of stakeholders
- b. Tax system reforms aimed at increased revenue generation and diversification of the revenue base
- c. Provision of a statutory framework to ensure fiscal responsibility
- d. Reformation of the public procurement process
- e. Establishment of an oil based fiscal rule/Fund for saving excess crude revenues
- f. Establishment of a public expenditure rule with a deficit of not more than 3% of Gross Domestic Product

Under the tax system reforms, six areas were identified to be addressed in the short to medium term. These included:

- a. Restructuring the tax system
- b. Revenue generation consideration
- c. Efficiency of collection
- d. Tracking and responding to international standards
- e. Promoting investment; and
- f. Coordination of tax administration

Balance of Payments

The major policy thrusts in this regard were to ensure:

- a. Export promotion and diversification of exports away from oil
- b. Liberalization of imports; harmonization with the ECOWAS common external tariffs; and the use of levies and prohibitions to protect local industries
- c. Avoidance of overvaluation of the real exchange rate while allowing nominal exchange rates to be determined by the market
- d. Debt reduction to ensure sustainable debt servicing

Monetary and Exchange Rate Policies

Seven targets/policy thrusts were sought to be achieved under this macroeconomic index. The targets were aimed at:

- a. Striving to meet the second West African Monetary Zone's convergence criteria
- b. Achieving low lending interest rates
- c. Competitive but stable exchange rate
- d. Restructuring the composition of credit to the private sector to encourage production
- e. Ensuring long term credit to the real sector
- f. Effective regulation and supervision of the financial system
- g. Retaining the retail Dutch Auction System (DAS) in the determination of nominal exchange rate while adopting a wholesale Dutch Auction in the medium to long term

The Nigerian tax system reforms are situated within the overall economic reform agenda of the Federal Government. The process was set in motion by the inauguration, on 6 August 2002, of a Study Group on the Nigerian Tax System by the Minister for Finance, Mallam Adamu Ciroma.

References

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CHAPTER TWO

SETTING THE TONE

STUDY AND WORKING GROUPS

Background

The current reform process is not the first attempt by the government to address the inefficiencies identified in the tax system over the years. Since the 1970s, a number of attempts have been made at reforming the Nigerian tax system. In 1978, a Task Force on tax administration headed by Alhaji Shehu Musa was set up by the Federal Government. The Musa Task Force on tax administration was responsible for the introduction of the withholding tax regime in Nigeria. The Task Force also recommended the imposition of 10 per cent special levy on banks' excess profits and the imposition of 2.5 per cent turnover tax on building and construction companies. These recommendations were accepted by the Federal Military Government and incorporated into the Companies Income Tax Decree No. 28 1979.¹ In 1991, a Study Group on the Nigeria tax system and administration headed by Professor Emmanuel Edozien was set up to review the tax system and make appropriate recommendations.

The recommendations of the 1991 Study Group led to the establishment of the Federal Inland Revenue Service (FIRS) as the operational arm of the Federal Board of Inland Revenue (FBIR). This was made possible through the Finance (Miscellaneous Taxation Provision) Act No.3 of 1993. The Act also created the Office of the Executive Chairman of the Board and also established States' Boards of Internal Revenue for all the States of the Federation as well as Local Government Revenue Committees for the Local Governments in the country. In 1992, a Study Group on indirect taxation headed by Dr. Sylvester Ugoh was again set up by the government. The recommendations of the Group provided the basis for the redirection of the focus of the Nigerian tax policy away from direct to indirect taxation. As a result of this, Value Added Tax (VAT) was introduced in Nigeria in 1993 through the promulgation of the Value Added Tax Decree No. 102 of 1993.²

On 29 May 1999, the Military Government of General Abdusalami Abubakar handed over power to the democratically elected government of President Olusegun Obasanjo. The new government identified sectors that were in critical need of reforms and the economy was the centre piece of the reform agenda. The tax system was identified as one of the areas that needed intervention within the context of the government's economic development blueprint: the National Economic Empowerment Development Strategy, NEEDS. It was within this context that the 2002 Study Group on the Nigerian Tax System was relevant.

The 2002 Study Group

On 6 August 2002, the then Federal Minister of Finance, Mallam Adamu Ciroma inaugurated a Study Group on the Nigerian tax system headed by Professor Dotun Phillips. Other members of the Study Group were:

1. Mr. A. Abdulai
2. Mr. G.F. Fasoto
3. Mr. K.U. Kalu
4. Mr. A.T. Haruna
5. Mr. A. Ibrahim
6. Mr. Y. Mahmood
7. Mr. U. Akpo
8. Mr. R. Kramer
9. Mr. C.O.O. Oyediran
10. Mrs. A. Mohammed
11. Mr. K.M. Marshi
12. Mr. J.B. Okele
13. Mr. G.O. Adesina
14. Mrs. A.C. Ofodile
15. Mr. A. Ukpanah
16. Mr. R.U. Uche
17. Mr. F.N. Alaraba
18. Mr. S.A. Barau
19. Mr. A.T. Haruna
20. Mr. M.A.C. Dike;

The Study Group was given the following terms of reference:

-
- a. review all aspects of the Nigerian Tax System and recommend improvements;
 - b. review all tax legislations in Nigeria and recommend amendments where necessary;
 - c. review all assessment and collection procedures, including payment procedures, objection and appeal procedure and court proceedings and recommend appropriate improvements;
 - d. review the entire tax administration and recommend improvements in the structure for the whole country, as well as the administrative structures at the Federal, State and Local Government levels with a view to enhancing performance and efficiency;
 - e. consider and recommend the possibility of the grant of operational and financial autonomy to the revenue authorities;
 - f. review and recommend the jurisdiction and scope of tax authorities at the Federal, State and Local Government levels;
 - g. examine and recommend the mode of financing revenue authorities to reflect constitutional provisions;
 - h. assess the extent of implementation and the impact of the recommendations of the 1991 Study Group;
 - i. consider international developments in taxation and recommend suitable adaptation to Nigerian circumstances;
 - j. evaluate and confirm the desirability or otherwise of the retention of the portfolio of fiscal incentives enshrined in the tax laws; and
 - k. consider and recommend new taxes where necessary, with a view to significantly improving the overall tax system³

The terms of reference of the 2002 Study Group were wider and more comprehensive than that of the 1991 Study Group in the sense that the mandate of the 2002 Group covered all taxes at the three tiers of government in Nigeria unlike that of the 1991 Study Group which was limited to the Federal and State revenue Services.

In the course of its work, the Study Group ascertained that there were as many as 43 taxes, levies and fees in Nigeria some of which had no legal backing. The Group further found that even where taxes were backed up with enabling statutes, identifying extant provisions of tax laws was difficult. Over several years of military rule in Nigeria, the practice of promulgating an omnibus decree to amend a plethora of existing tax laws created a complex body of tax legislations that did not allow for easy understanding of requirements and

obligations. Other shortcomings identified by the Group as antithetical to good tax practice were as follows:

- a. The Taxes and Levies (Approved List for Collection) Decree No. 21 of 1998 which was promulgated to tackle the issue of multiple taxes and levies in Nigeria failed in achieving the objective for which it was promulgated.
- b. Despite the multiplicity of taxes, tax revenue accounted for 46% of the total revenue of the Federal Government in 2001, which was the general average for twenty years preceding 2001; and over 70% of the tax revenue was from petroleum profits tax.
- c. Personal income tax, which ordinarily should have a tax base that covers several million Nigerians accounted for a mere 0.5 per cent of the total tax revenue of the three tiers of government in Nigeria.
- d. Tax incentives which were introduced to encourage activities such as savings, investment, export, business survival and development of key sectors were being abused as a result of which their stated objectives failed to materialize.
- e. There was poor coordination between government agencies charged with the responsibility of coordinating tax incentives granted to corporate and individual taxpayers.
- f. Transparency and accountability was not always found in the conduct of tax officials.
- g. The use of unfriendly collection tactics such as road blocks and physical harassment on taxpayers by tax officials was prevalent.
- h. The tax query and dispute resolution procedures were slow, cumbersome and inefficient
- i. The tax refund mechanism was not only cumbersome but also ineffective
- j. Imposition of substantial levies on operators in certain sectors of the Nigerian economy by regulatory agencies charged with overseeing those sectors. Operators have often complained that these charges amount to double taxation, as well as increasing the cost of doing business in Nigeria.

The Study Group reviewed the problems identified above as well as other sundry issues and made far reaching recommendations on the way forward. The Group submitted its report to the Federal Government in July 2003.

The Working Group

Subsequent upon the submission of the report of the Study Group, a Working Group was convened by Dr. Ngozi Okonjo-Iweala (the then Finance Minister) on January 12, 2004 and given a month to review the report of the Study Group. The membership of the Working Group consisted of individuals who had distinguished themselves at various levels and sectors of the Nigerian economy. The members were as follows:

1. Seyi Bickersmith (Chairman)
2. Ballama Manu
3. J.A. Arogundade
4. Uviomo Akpo
5. Igho Dafinone
6. Koyinsola Ajayi
7. Tunde Ale
8. Victoria Kwakwa
9. Zubairu Abdullahi
10. Pat Utomi
11. G.F. Fasoto
12. Paul Collier

The terms of reference of the Working Group encompassed the following main tasks:

- a. The critical evaluation of the recommendations of the Study Group;
- b. Proposition of a prioritized set of strategies whose implementation would give effect to the reform of the Nigerian tax system;
- c. Segmentation of the strategies into short term (six months), medium term (two years) and long term (five years).

The Working Group divided itself into the following sub-committees:

- a. Micro and Local Government Issues;
- b. Oil and Gas Issues;
- c. Residual Matters/Strategies; and
- d. Macro Issues.

The Secretariat of the Working Group consisted of Ajibola Olomola; Tayo Ogungbenro; and Adesuwa Ladoja, all drawn from the Tax Division of the consulting firm, KPMG. The

Secretariat was charged with the responsibility of coordinating the work of the sub-committees of the Working Group. Between the 10th and 11th of February, 2004, the final report of the Working Group was prepared at a retreat organized by the Group. Professor Robert Conrad of Duke University, United States of America and a consultant to the Service made contributions to the final report of the Working Group. The Working Group made recommendations on:

- a. Macro Issues;
- b. Oil and Gas Taxation;
- c. Micro Issues;
- d. Local Government Taxation;
- e. Residual Matters and Strategies; and
- f. Appendices which contained a checklist of the salient points of the Working Groups deliberations and key recommendations; proposed terms for the establishment and operations of the Nigerian Customs and Revenue Agency; suggested modifications to proposed amendments to the Petroleum Profit Tax Act; detailed comments to the Personal Income Tax Act; detailed comments on proposed amendments to the Companies Income Tax Act; and detailed comments on the proposed amendments to the Value Added Tax Act.⁴

The Working Group concluded its assignment in March 2004.

Comparing the Reports of the Study Group and the Working Group

Macro Issues

With regard to macro issues, the Working Group concurred with the following recommendations of the Study Group:⁵

- a. That the Nigerian tax system be re-designed and managed to foster rapid economic growth of the country on a sustainable basis;
- b. That the Federal Government of Nigeria shifts its focus from viewing taxation merely from the prism of raising more revenues. Instead, tax should be seen as an instrument for encouraging diversification of the economy and furtherance of economic development.

- c. That each taxpayer should be issued with an identification number for ease of tax administration and sourcing of tax data. The Working Group was of the opinion that the production of Tax Identification Number should be a prerequisite for the award of contracts by all companies, government agencies, employers of labour, etc in Nigeria.⁶
- d. That the tax-free allowance for individuals should be a consolidation of 40 per cent of chargeable income. The Working Group agreed with the recommendation of an initial tax exempt bracket but differed on the threshold with the Study Group. Whereas the Study Group recommended N200,000. 00. The Working Group recommended one million naira as the tax exempt bracket.

The Working Group disagreed with the following recommendations of the Study Group:

- a. That Nigeria's tax system should be replaced with only two taxes namely income tax and expenditure tax.⁷
- b. That the taxation of small companies be done at State level.

Oil and Gas Taxation

In the area of oil and gas taxation, the Working Group agreed with the following recommendations of the Study Group:

- a. The application of a Memorandum of Understanding (MOU) in moderating the high tax rate specified in the Petroleum Profits Tax Act (PPTA) which applies mostly to Joint Venture Operators.
- b. That tax authorities be independent in their role as watchdog over the activities of the Department for Petroleum Resources (DPR) and the Nigerian National Petroleum Corporation (NNPC). The agencies of government should be treated as taxpayers by tax authorities, demand for information and returns from them; with penalties specified in the event of default.
- c. Allowable interest rates should be a reflection of the market rate.⁸ The Working Group however disagreed with the Study Group that the interest on foreign currency tax liabilities should be referenced to the CBN Minimum Rediscount Rate. The Working Group took the view that the rate be referenced to the London Inter Bank Offer Rate (LIBOR).
- d. That the Petroleum Profits Act be amended early in 2004.

- e. That the FIRS continuously review taxation of gas in other countries.

The Working Group made the following further recommendations:

- a. All upstream gas should be taxed under the CITA, whether associated or non-associated gas. The Working Group further recommended the enactment of separate legislation to cover upstream and downstream gas.
- b. That gas incentives with respect to the downstream sector should be discontinued and not be extended to new projects.⁹

Micro Issues

The Working Group contended that the income derived from personal income tax was not insignificant; this was contrary to the conclusion reached by the Study Group. According to the report of the Working Group, earnings from personal income tax are quite significant when viewed from the perspective of the States, especially States with “innovative and aggressive revenue collection drives such as Akwa Ibom, Lagos, Rivers and Delta States.”¹⁰ The Working Group further recommended that the personal income tax yield can be significantly spiked and sustained by widening the tax base of States and improving the tax collection system.

With regard to companies’ income tax, the Working Group was of the opinion that States could not handle the taxation of small companies for a number of reasons such as the lack of constitutional provision to bring that about, and the subsisting unwholesome approach of States to revenue collection. The Working Group agreed with the 20 per cent companies’ income tax rate proposed by the Study Group in its report.

The Working Group agreed with the assessment of the Study Group that the capital gains tax could not be implemented. However, while the Study Group went as far as calling for the abolishment of the tax, the Working Group disagreed, describing that form of tax as necessary to foil tax evasion schemes.

The value added tax (VAT) was, and still remains a major cause of dispute between States and the Federal Government over the federal jurisdiction with respect to the tax. VAT was

introduced to replace sales tax which was within the competence of States. The failure of the 1999 Constitution to include VAT under the Exclusive (Federal) Legislative List suggests that State Governments have jurisdiction over VAT. In operation, the tax is not just regulated by a federal law; it is administered by the federal tax authority. The Study Group took the view that since VAT replaced sales tax, the Federal Government should act as a “collecting agent” on behalf of States; the revenue so generated should then be shared after a reasonable amount has been set aside to meet the cost of administration of the tax by the Federal Government. The Study Group recommended that VAT should be exempted from being paid into the Federation Account, a requirement of Section 162 of the 1999 Constitution.¹¹ The Working Group agreed with this recommendation, also calling for an adjustment of Section 162. The two Groups recommended that for an equitable VAT sharing formula to be attained, there must be consideration for factors such as derivation. The Study Group recommended zero VAT rates for exports, diplomats, and aid-funded projects in Nigeria, and also the amendment of decree 30 of 1996 to delete export from the exemption list.

The Working Group concurred with the Study Group that instead of charging ad valorem rates, stamp duties should be charged at nominal rates only. The rationale for this being that stamp duties are not duties on transactions but charges on documentation type. The Study Group recommended that the maximum amount payable for stamp duties by both companies and individuals should be N50, 000, a recommendation which the Working Group agreed with. The Study Group however also recommended the discontinuation of stamp duties in the not too distant future.

Local Government Taxation

The Study Group recognised the undesired practice by Local Governments of imposing multiple taxes; the collection of such taxes was achieved by the arbitrary sales of an odd collection of stickers such as “private car sticker”, mobile advert sticker, the mounting of roadblocks where taxpayers were physically cajoled and manhandled by touts and hoodlums to ensure compliance with the legion of taxes imposed and several other arbitrary assessments and collection of illegal taxes and levies. The Study Group also recognised the lapses in the Local Government taxation system such as endemic corruption, ignorance of taxpayers about tax matters and their rights, lack of computerization of the Local Government tax

authorities. The Study Group recommended the following with respect to Local Government taxation:

- a. The re-introduction of Ministries of Local Government affairs in all States of Nigeria;
- b. The setting up of a Legal Aid Council for the enforcement of people's rights'
- c. The complete stoppage of the use of stickers for tax collection by Local Governments as a matter of national policy;
- d. The Inspector General of Police should be directed to arrest and prosecute persons who mount road blocks for revenue collection;
- e. Increased taxpayer education with a view to encouraging voluntary compliance, as well as enlightening taxpayers about their tax obligations and rights;
- f. The discontinuation of the use of non-regular staff of Local Government Councils for revenue collection;
- g. The institution of a code of ethics to guide the conduct of Local Government revenue officials.

The Working Group, while agreeing with the position of the Study Group on the re-introduction of a Ministry of Local Governments in all States of Nigeria, recommended that Local Governments in the Federation be denied the powers to impose taxes if the observed lawlessness and multiplicity of taxes was to end. The Working Group also recommended that Local Governments be allowed to impose only user charges for services they render to members of the public. Earlier in its Report, the Working Group had proposed the formation of the National Customs and Revenue Agency (NCRA), an agency charged with tax collection and administration, functions which the Working Group recommended should be centralized in the hands of the NCRA.¹² Hence, the Working Group recommended that the NCRA, upon its formation be assigned the sole responsibility of assessing and collecting rates and levies, including tenements.

The Tax Reform Agenda

Following the submission of the report of the Working Group in March 2004, tax consultants, the IMF Mission on Tax Administration, the Federal Ministry of Finance, the Economic Management Team, the Management of the Federal Inland Revenue Service and a range of other stakeholders made inputs into the recommendations of the two Groups under the auspices of the Open Society Initiative. These inputs were incorporated where appropriate, into the tax reform document and by August 2004, the Federal Inland Revenue Service had

distilled a roadmap or agenda for the implementation of the reforms. Further to this, therefore, an Extraordinary Session of the Federal Executive Council (FEC) meeting was held on October 18, 2004, where the Executive Chairman of the Federal Inland Revenue Service outlined the agenda to be implemented in repositioning the Nigerian tax system. While recognising divergent views between the two Groups on some issues, all stakeholders involved in the process agreed on the main objective of the reform which was, and still is, to diversify the revenue base of the government beyond oil and oil related sources. The highlights of the reform agenda as presented to the FEC by the Executive Chairman were as follows:¹³

- a. Whereas in most countries, tax constituted the major source of income for national development, in Nigeria, the contribution of tax to the total revenue which in 2003 was 35 percent was lower than desired even when compared to sister Third World Countries such as Morocco, Kenya, Malaysia, Senegal and India. Furthermore, even the unimpressive percentage of tax contribution to total revenue in Nigeria is attributable, in the main, to petroleum profits tax.
- b. The percentage increase of tax to total revenues would increase if the constraints in tax administration in the country are addressed.
- c. Some of the principles driving the reforms include an understanding that tax policy ought to be simple and capable of encouraging voluntary compliance; and that tax, being a business, should be carried on in a manner that promotes increased revenue generation.
- d. The Nigerian tax administration system should be reformed by adopting the following measures:
 - i. Making the Federal Inland Revenue Service autonomous with respect to funding, procurement, recruitment and remuneration;
 - ii. Reviewing the organizational structure of the FIRS and ensuring the computerisation of its operations;
 - iii. Reduction of tax evasion by naming and shaming recalcitrant and defaulting taxpayers;
 - iv. Abolition of levies imposed by regulatory bodies which constituted incidence of double taxation;
 - v. The establishment of a tax or revenue division of the Federal High Court to enable specialization by judges and quick disposal of cases;
 - vi. Discontinuation of the use of tax consultants for revenue collection by governments at all levels; and

- vii. Harmonising tax procedure code and the creation of a tax friendly environment
 - viii. Changes in statutory and other frameworks must be preceded by sound research to unravel the attendant implications of the intended changes
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- e. With exceptions made only for companies operating in the oil sector; industries located and operating in rural areas; and export-oriented industries, tax incentives such as waivers and tax holidays should be streamlined and preceded by a cost-benefit analysis.
 - f. Discontinuation of the use of memorandum of understanding in ameliorating the high tax rates imposed by the Petroleum Profits Tax Act; discontinuation of fiscal incentives to associated gas; and taxation of upstream gas under the provisions of the Companies' Income Tax Act.
 - g. The level of interface between the Service and the Central Bank of Nigeria should be strengthened for the receipts of petroleum profits tax payments and sanctions for late or underpayments increased.
 - h. A mechanism for information sharing between National Petroleum Investment Management Services, the Department of Petroleum Resources and the Service should be put in place.
 - i. The informal sector must be encouraged to pay taxes, especially personal income tax, and adequate mechanisms provided for sanctions against infringement of statutory requirements such as the failure to disclose income or gains of a person by a bank and forgery of Tax Clearance Certificate.
 - j. Government must utilize tax revenues in a manner that would engender public confidence in the system.
 - k. The four years allowed as the maximum period over which companies can claim past losses from future profits under Section 27 (2) (a) (iii) of the Companies Income Tax Act should be removed to enable companies claim past losses from future profits and carry forward all capital allowances without time limitation. Furthermore, investment tax credit should be replaced with investment allowance and penalties for late filing of returns should be increased.

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- l. Ministries, Departments and Agencies of the government that deduct taxes and fail to remit to the relevant tax authorities should have the equivalent of such amounts deducted at source from the allocations due to such MDAs.
 - m. A Tax Refund Account should be established and funded annually for the purpose of making tax refunds in appropriate cases to deserving taxpayers.
 - n. The Education Fund be renamed the Education Trust Fund which would be funded through yearly votes and several other sources.
 - o. Value added tax should be included in the legislative list of the Constitution and Section 165 of the Constitution should be amended to exempt payment of VAT into the Federation Account, while providing that VAT revenue should be shared among States after a specified percentage had been set aside to meet the Federal Government's cost of administering the tax. The VAT Act should also be amended to remove ambiguities in the law.
 - p. The recommendation of the Working Group that the Federal Government should collect all taxes via a new agency: the Nigeria Customs and Revenue Agency (NCRA) while States and Local Governments are assigned only user charges in line with recent global trend. But in the light of the reform agenda, opposing interest groups may distract the objective to be achieved, therefore, the status quo should be maintained for now regarding definition of taxing powers.
 - q. The four percent of non oil collection approved for the Service should be increased to five percent cost of collection for the operations of the Service and another five percent of collection for tax refunds while the seven percent approved for the Nigerian Custom Service should be increased to 10 percent. (The Study Group and the Working Group had, respectively, recommended three percent and 10 percent cost of collection for the Service.)
 - r. The FIRS and the Working Group held concordant views regarding the stoppage of additional incentives to operators of marginal fields in the area of oil and gas taxation.
 - s. The Joint Tax Board should harmonise the divergent views of the Study Group, Working Group and the Service regarding a threshold below which income should be free of tax, since there was an agreement that the minimum tax provisions should be expunged from the statutes.

- t. The FIRS would work in conjunction with the FCT administration to develop the tax administration structure for the FCT.
- u. VAT refunds should be audited to confirm authenticity.
- v. Despite the misgivings expressed by the Working Group on the issuance of information circulars, the practice should continue because circulars are used to explain provisions of the law and also to ensure uniform application.
- w. Charges on stamp duties should be at the normal rate up to a maximum of 50,000 naira for mortgages while stamp duty on share capital should be on ad valorem basis.
- x. The Central Bank of Nigeria's presentation concerning a reduction of 10 percent in companies' income tax merged banks; carrying losses forward beyond four years; stamp duty waivers; tax deductibility of transaction cost and uncapitalised information technology should be addressed through collaboration with affected banks and relevant authorities.
- y. The incentives proposed for companies in Export Processing Zones (EPZs) and Free Trade Zones (FTZs) relating to exemption from tax on profits and the exemption of payment of VAT on machinery and goods imported had already been approved by the FEC and was awaiting approval of the National Assembly.

The role of the Federal Inland Revenue Service as the government taxman, within the overall context of the reforms was identified as crucial. To live up to this role, the issue of adequate funding for the Service was of paramount importance because repositioning the Service required improving the work environments of FIRS personnel, overhauling unserviceable equipments, machineries and vehicles, providing adequate working materials and building capacities of employees of the Service. The Service had already drafted a Modernisation Plan which defined the vision, mission, values and goals to guide its operations as well as a new organisational structure that would enhance alignment of functions and competencies. The FIRS Modernisation Plan further identified seven planks that are critical in achieving the above objectives. These are:

- a. Fund FIRS/Acquire autonomy
- b. Strengthen investigation/enforcement

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- c. Audit oil, gas and large taxpayers
 - d. Provide taxpayer education and services
 - e. Re-engineer and automate collections/ tax administration system
 - f. Build capacity: structure, staffing and specialization
 - g. Re-engineer and automate human resource processes, finance and procurement

In a bid to drive the implementation of the reform agenda, the FEC resolved that tax authorities require a highly motivated, trained and competent workforce to significantly improve the organisational performance on a sustainable basis; the FIRS and other tax authorities needed improved funding and a business-like administrative structure outside the core civil service to cope with the demands of modern tax administration; a review of the tax laws was needed to give effect to the recommendations. The FEC therefore, gave the following approvals:

- a. That the FIRS be funded on a percentage of revenue collected, a four percentage non oil collection having already been provided for in the 2005 Appropriation Bill;
- b. That the FIRS be granted autonomy in terms of funding, recruitment and remuneration of employees;
- c. That the tax laws be amended to bring about the intended objectives of the reforms

Following the above resolutions and approvals, the FEC constituted a Presidential Technical Committee, PTC, to draft a bill that would give effect to the proposed tax reforms. The committee was chaired by the Attorney-General of the Federation and Minister of Justice. Members of the committee included the Minister of Finance; the Minister of Aviation, the Minister of the Federal Capital Territory, the Chairman of the FIRS, the Economic Adviser to the President, the Accountant-General of the Federation, the Group Managing Director of the Nigerian National Petroleum Corporation, the Director-General of the Budget Office, the State House Counsel and Alhaji Manu, the former Chairman of the FIRS. The PTC was mandated to present the bill for the consideration of the FEC before transmission to the National Assembly.

References

- 1 All military decrees that are still in force are deemed by Section 315 of the 1999 Constitution to be Acts of the National Assembly. Decree 28 of 1979 is therefore retained as Cap C21 Laws of the Federation of Nigeria 2004 and has been subjected to series of amendments by the National Assembly; the last of which was done in 2007.
- 2 Cap V1 Laws of the Federation of Nigeria 2004.
- 3 “Nigerian Tax Reform in 2003 and Beyond: Main Report of the Study Group on the Nigerian Tax System” (July 2003): Chapter 1, paragraph 1.1.
- 4 “Nigerian Tax Reform 2003 and Beyond: Report of the Working Group on the Review of the Report of the Study Group on the Nigerian Tax Reform” (March 2004), Chapter 1.
- 5 Ibid Chapter 2.
- 6 Main Report of the Study Group on the Nigerian Tax System, op. cit. Chapter 1, paragraph 1.5.3 (iv).
- 7 Ibid Chapter 1, paragraph 1.13.1.
- 8 Ibid, Chapter 6 paragraph 6.12.6.
- 9 Report of the Working Group on the Review of the Report of the Study Group on the Nigerian Tax Reform, Op. cit Chapter 3, paragraph 3.6.
- 10 Ibid Chapter 4 paragraph 4.1.1.
- 11 “Main Report of the Study Group on the Nigerian Tax System,” op. cit, Chapter 13, paragraph 13.1.3.
- 12 Report of the Working Group on the Review of the Report of the Study Group on the Nigerian Tax Reform Op. cit
- 13 Minutes of the Extra-Ordinary Meeting of the Federal Executive Council held at the Aso Rock Council Chamber, Presidential Villa, Abuja on Monday, 18th October, 2004

CHAPTER THREE

ORGANISATIONAL RE-STRUCTURING

Introduction

An organisation's structure is the articulated composition of that organisation detailing hierarchy, functional areas and the chain of command. Organisational structure is central to the optimal performance of any system. The organisational structure of the Federal Inland Revenue Service has undergone several changes over the years. This has reflected in the name of the organisation, scope of powers and functions, types of offices or organs and employees' responsibilities over time.

The pre-reform organisational structure was such that combined tax types and functions and reporting relationship that over concentrated workload on the Chairman; bred indiscipline and fraud on the part of officers and yielded little in terms of revenue collection. A structure "that facilitates work flow from bottom to up, with work designed around work teams"¹ was required if the objectives of the reforms were to be actualized.

FIRS Organisational Structure Prior to 2004

The FIRS started as the Inland Revenue Department of Anglophone West Africa (including Ghana, Gambia, and Sierra Leone).² In 1943, the Nigerian Inland Revenue Department was carved out of the Inland Revenue Department of Anglophone West Africa. In 1958, the Federal Board of Inland Revenue, FBIR, was established under the Income Tax Ordinance of 1958.³ The FBIR was re-established under section 4 of the Companies and Income Tax Act (CITA) No. 22 of 1961. FBIR operated then as a department in the Federal Ministry of Finance.⁴ A further transformation took place in 1993 when the Finance (Miscellaneous Taxation Provisions) Act No 3 of 1993 established the Federal Inland Revenue Service (FIRS) as the operational arm of FBIR. The Act also created the office of the Executive Chairman of the Board. Prior to the enactment of the Value Added Tax Act, the structure of the FBIR was based on five directorates which included:

- a. Finance and Related Operational Matters
- b. Assessment Intelligence, Tax Audit and Special Investigation
- c. Tax Collection and Accounting for Tax Collected
- d. Petroleum Profit Tax and Related Operations
- e. Human Resource Management, Planning, Research and Statistics.

When the Value Added Tax (VAT) was introduced into the Nigerian tax system in 1993, the VAT Directorate was added to it, bringing the number of directorates to six. The six directorates which were in charge of all operations were eventually restructured as six departments thus:

- a. **Assessment Department:** This department superintended assessment duties in all Area Tax Offices (ATOs) as well as the activities of the tax audit and the special investigation branch, monitored pioneer status, education tax, stamp duties and taxpayers' compliance.
- b. **Finance and Supplies Department:** This department catered to the financial needs of the Service, paid contractors, staff salaries, handled short term placement with banks and provided staff accommodation. The finance and supplies department had three divisions: Accounts Division, Budgets and Funds Management Division and General Stores Division.
- c. **Human Resources Department:** The department was in charge of recruitment, promotion, discipline and training of staff. It carried out these functions in conjunction with the Office of the Head of Service of the Federation and the Federal Civil Service Commission FCSC. This department:
 - i. Recruitment, selection and placement
 - ii. Training and personnel development
 - iii. Promotion and discipline
 - iv. Supervision and control of officers
 - v. Documentation and maintenance of personnel records and files
 - vi. Staff deployment

- vii. Manpower planning and budgeting
 - viii. Staff welfare, pension and gratuity matters.
- d. Value Added Tax Department: This department handled the collection of value added tax. As at 2004, the department coordinated 158 VAT offices nationwide.
- e. Planning, Research and Information Technology Department: This department handled all planning, research and statistics issues. Prior to 2003, a division of Human Resource Management Department carried out the planning, research and statistics functions. When it came on board, this department catered for the information communication and technology needs of the Service. By June 2004, the PRS and ICT departments were merged to form Planning, Research and Information Technology Department with an expanded mandate as follows: information technology, Planning Research and Statistics, procurement and due process, bank collection accounting and coordination, monitoring and reconciliation.
- f. Petroleum and International Tax Department: This department handled petroleum profits tax and all international taxes

There was also the Legal Division which provided legal services to the entire organization, handled all legal matters, prosecuted cases and tried to ensure tax compliance. The Legal Division was not a full-fledged department but functioned as a division under the office of the Executive Chairman. Before the structural reforms in 2004, the Service had a total staff strength of over 5000 employees working in 201 offices across the country including the headquarters. The 201 offices were grouped into eight Zonal Offices, 34 Area Offices and 158 Local Value Added Tax offices.⁵

Challenges Posed by the Pre-2004 Structure

There use to exist different offices for different tax types. For instance, a taxpayer resident in Abuja, willing to pay companies income tax (CIT), value added tax (VAT), capital gains tax (CGT), educations tax and stamp duties would have to visit four different FIRS offices to pay the taxes.⁶ This was because each FIRS office collected a different type of tax. This structure was problematic because, first, taxpayers could not promptly obtain basic information about their tax obligations or verify the status of their tax accounts or obtain their Tax Clearance Certificates (TCC) in one office. Second, the structure was energy sapping

and costly. Third, the structure robbed the FIRS, and by extension the nation of revenue, the same way it provided for touting and corruption. There were too many offices that added less value to the essence of the existence of the Service. Fourth, separation of tax offices along tax types robbed officers of knowledge of other taxes outside their daily routine. Many officers who worked in VAT offices for example, had no knowledge of the workings in other tax offices. Apart from being problematic to tax administration, the structure was equally archaic. Among all Commonwealth countries and even throughout the continent of Africa, the separation of functions and offices along tax types could only be identified with few countries.⁷ Therefore, before the structural reforms in 2004, it was already a popular demand that some offices should be integrated. The demand led to the creation of a Large Taxpayer Unit in Lagos which was dedicated solely to the needs of the large tax paying companies in selected sectors of the economy and those with turnover of over one billion naira.⁸

Another problem occasioned by the structure in place before the 2004 reforms was improper delineation of staff responsibilities and reporting lines. The flow of field reports to the head office all ended up in the Executive Chairman's office. The assessment functions of the field offices, executed by the Heads of the Assessment Units in the Area Tax Offices and supervised by the Area Tax Controllers, were reported to the Zonal Coordinators during monthly reconciliation meetings. These were collated in the form of reports (mostly in hard copies) by the Zonal Coordinators and forwarded to the Assessment Department in the Head Office, which was headed by a Director. These reports were then collated from there for onward transmission to the Chairman.⁹ In the same vein, collection reports from the field offices were also forwarded through the Zonal Coordinators to the Executive Chairman through the Process Operations Department, which was also headed by a Director. All other functions went through the same process, going through the Zonal Coordinators, and their respective departments, but all ending at the Office of the Executive Chairman.¹⁰ With as many as 30 field offices within a zone, there were too many offices reporting to the Chairman. This blurred the lines of delineation of authority and made effective supervision difficult. Furthermore, the procedure created jurisdictional disputes between VAT offices and Area Tax Offices.

Changes in the Organisational Structure since 2004

While the Study and Working Groups on tax reforms were carrying out their work, there were internal discussions on what path the FIRS should chart to become a modern tax agency. For example, at a Board meeting in May 2003, the then Chairman of the FIRS, Mallam Ballama Manu, reminded the Board members that there was the perception that a huge potential for improving revenue collection existed if only the tax systems could be reformed and modernised.¹¹ Again, at the Enlarged Management Meeting of February 2004 in Abuja, several thought provoking papers were presented on what path the FIRS should chart to modernize its operations. Some areas of its operations that participants at the meeting felt needed to be improved included the use of information technology in its processes, education of taxpayers, strengthening of voluntary compliance, rejuvenation of collection procedures, and most importantly, the preparedness of all to embrace change in all ramifications.

The first push on the actual reform journey took place at the Enlarged Management Meeting of 24th May, 2004 held at the Conference Hall, Transcorp Hilton Hotel, Abuja, when the leadership of the Service went into eight syndicate groups to review various aspects of the tax administration machinery in compliance with the recommendations of the Study and Working Groups. By August 2004, it was clear that the existing structure, especially as it concerned the field operations, was inconsistent with the reform objectives. The new chairman of the Service, Ifueko Omoigui Okauru emphasised the need to re-organize offices of the Service to ensure efficiency. By September 2004, the chairman announced a new administrative structure. As a first step, collection was integrated as a function of the ICT and PRS Division. Further, the different VAT and Area Tax Offices were collapsed into one-stop tax offices under the name Integrated Tax Offices (ITOs). As a follow up on these initial steps, the FIRS Management after due consultations with internal stakeholders identified seven strategic flanks upon which to drive the reform agenda. The seven strategic flanks, discussed in detail later on are:

- a. funding/autonomy
- b. capacity building (improved structure and staffing)
- c. process re-engineering (human resources, finance and procurement processes)

- d. audit oil and gas/large taxpayers
- e. taxpayer education
- f. strengthen investigation and enforcement
- g. automate tax collection

A staff verification exercise was done in the early stages of the reforms to determine staff strength, profile and potentials. The exercise revealed a need for a complete overhaul of human resource capital. Overstaffing at junior staff level was clearly established particularly in Lagos Region and there were also issues of age and medical discrepancies. Consequently, Management felt that it was important to do a serious overhaul and modernisation of the human resource system.

Essentially, the structural reorganization in the Service manifested at two levels, namely the creation of taxpayer needs offices (as opposed to the tax-type based structures that existed hitherto) and the creation of new organs: groups, departments and units. While the former was aimed at shifting emphasis to the needs and convenience of taxpayers, the latter was aimed at enhancing work flow and reporting lines.

The Evolution of Integrated Tax Offices and Large Tax Offices

Integrated Tax Offices

At the heart of the Integrated Tax Offices (ITOs) concept was the merger of the area tax offices (handling income tax matters) and VAT offices (handling value added tax matters). Each of the ITOs was to collect all forms of taxes: VAT, CIT, CGT, WHT, Education Tax, PIT, PAYE. The ITO concept placed emphasis on taxpayers' convenience rather than tax type. The FIRS Chairman provided the rationale behind the new segmentation of tax offices at the 7th Conference of Value Added Tax Administrators (VADA) held in Abuja in 2004. According to the Chairman:

In focusing on taxpayer segments for the first time, we intend to ensure that our regional offices focus effectively on small and medium term enterprises, whilst ensuring that companies in the informal sectors gradually migrate to the formal sector. The Service would want to be regarded not just as tax collectors but also as an institution that is concerned about the development

of the taxpayer and the environment in which it operates. We are upgrading our Large Taxpayer Unit to a directorate level, to ensure that all our large taxpayers throughout Nigeria are effectively served from a coordinated point. We would, in doing so, focus on all the large sectors and not just on the petroleum and gas sector as it is the case at the moment. That way, we will build our professional and competent staff that would discharge their responsibilities in a manner that will be befitting of the brand that we intend to establish.¹²

By October 2004, the new ITOs were established as one-stop shops to deal with all tax types. The ITOs were supervised by the Regional Coordination Department (RCD), through the Regional Coordinators. The Regional Coordination Department was also in charge of Non-Governmental Organisations, federal institutions, local and state governments. The ITOs also handled relevant taxes for companies and enterprises as follows:

- a. Companies with turnover of less than N1billion
- b. Withholding tax and value added tax from State, local government, ministries, agencies and parastatals
- c. Withholding tax and VAT from federal government agencies located where no ITOs existed: i.e. outside Abuja, Lagos, Rivers and Kano states
- d. Oil and Gas companies having turnover of less than N1billion
- e. Oil and Gas servicing companies with turnover of less than N1billion
- f. International tax cases of turnover below N1billion (to be located in an ITO in Lagos and Abuja).

The Regional Coordination Department was also saddled with the responsibility of developing innovative and creative strategies for increasing tax compliance amidst taxpayers within its jurisdiction, small and medium scale enterprises that fall within the criteria stated above, federal institutions, state and local governments as a strategy of increasing the contribution of non-oil taxes to overall collections. Other responsibilities of the RCD included:

- a. Monitor entry and exit of ITO cases
- b. Regular management and assessment of regional office performances
- c. Supervision and coordination of Regional Office and ITOs
- d. Assessment, collection and accounting for taxes from the ITOs
- e. Coordinating business/manpower planning and financial budgets of the region
- f. Ensuring uniformity in interpretation and application of the tax laws
- g. Ensuring effective personnel development in all regional offices, ensuring optimal staff productivity, liaising with the Administration and Supplies Department on matters of HRM and supplies
- h. Development and effective execution of policies relating to small and medium scale enterprises
- i. Regular inspection of regional offices and policy compliance reporting
- j. Monitoring of revenue arrears and overall collection status
- k. Collaborating with the Audit Department in the audit planning and execution of ITO cases
- l. Referring cases to Intelligence and Investigation Unit for investigation
- m. Liaising with other Departments and Units to achieve the overall corporate goals

ITOs are headed by Tax Controllers who have the responsibility for the management of the office. Apart from liaising with taxpayers to rectify errors, major areas of pre-occupation of the ITOs since their creation have been the registration and education of taxpayers, production of all statutory forms and issuance of Tax Clearance Certificates (TCC) as required by taxpayers. ITOs have also been mandated to collect and enforce arrears, coordinate payment and maintain cashbook and administer bank collection monitoring and reconciliation processes. Tax Controllers are also to advise the head office on penalties and how to administer withholding tax and VAT. To ensure effective management of the ITOs at its initial stage, Regional Coordinators (RCs) were given the discretion to post staff, however, with some specific guidelines. ITOs were to be headed by officers between the ranks of Principal Inspector of Taxes and Chief Inspectors,¹³ with competence and seniority being the major

yardsticks. The list of posted staff was however to be sent to the headquarters for record keeping.

To ensure that the ITOs took off on strong footing, preliminary training programmes for the staff of the ITOs were organised by the Human Resources Department and to ease human resource questions, a human resource desk was proposed for the field. In addition, to ensure that the ITOs were effective, RCs were mandated to ensure that charts were maintained on taxpayers, assessment efforts, tax status and collections in all ITOs and regional offices.

A direct consequence of the realignment of offices resulting in the creation of ITOs and LTOs was the increase in the number of audit exercises the LTOs embarked upon. While the LTO elected to meet oil and gas taxpayers every month, the Chairman of FIRS directed that 60 per cent of the LTO staff should be audited. The result was tremendous boosting of the government revenue profile within three years of commencement of the reform implementation.

One of the goals of the reforms was to strengthen the enforcement function of the Service. Thus, there were some quick changes that accompanied the restructuring of tax administration at the FIRS headquarters and in the field. The Process Operations Department (POD) requested Regional Coordinators to assist in sanctioning erring or de-listed banks. To curtail further loss through banks, performing banks were retained, while non-performing banks were de-listed. POD also created an Account Reconciliation Desk for penalties raised on breaches. Regional Coordinators were asked to submit the list of breaches by banks that had been de-listed. In firming up the structures of the Service, the POD also began the Bank Examination Project to eliminate the preponderance of un-remitted funds. Other steps taken include, first, the opening of domiciliary accounts for all taxes in foreign currencies and second, request by Management that all tax offices regularly furnish the Management with quarterly update on arrears of revenue in their offices.

One major feature of the ITO which marks it out from the old area offices is the central registry. This makes the administration of each ITO easy. This is because it eliminates the problem of file location, file mutilation, file misplacement and file corruption.

Large Tax Offices

The Large Tax Department (LTD) was created in 2004 to cater for the needs of large taxpayers. Making a case for LTD, former Coordinating Director, Tax Operations Group and pioneer Director LTD, Mr. E. A. Sulu, said:

It is the same worldwide, and it is gaining ground all over the world, in many countries and Nigeria. You segregate and meet their needs. Large taxpayers need attention and focus. And since they have money, they have the wherewithal, it is then necessary for the FIRS to match their very best and meet the challenges which the large taxpayers pose. That is those who really pay heavy taxes. In other words, large taxpayers have money to engage the best services in terms of auditors, the best amenities in terms of communication and everything. Likewise, the Service office should provide similar environment, the best auditors, who can match the large taxpayers. And the good part of it is that whatever you do in terms of something like audit yields more - like if you audited one company in the large tax payers - you can get as much as what you also get from auditing almost 100 companies in other industries.¹⁴

At the time of its creation the concept was not entirely new as the Service had prior to this time recognised the need to cater to the needs of large tax payers. Thus, it was created out of a merger of the following units in the old system:

- a. The Large Tax unit in Lagos
- b. The Petroleum Division in Lagos
- c. The International Tax Unit in Lagos and the Monitoring Unit (Government Agency Compliant Unit).

The Management of the Service believed that the realization of its mission, “to operate a transparent and efficient tax system that optimizes tax revenue collection and voluntary compliance”; tripling revenue collection by 2007 relative to 2004 levels; and raising tax

collections by at least 20 percent year-on-year basis, were achievable largely by focusing on large taxpayers who though comparatively few in number, accounted for the bulk of the tax revenues collected by the Service. To decide which companies belonged to the large taxpayers' bracket, some entry and exit criteria were set. Large taxpayers are organizations or individuals whose annual turnovers averaged one billion Naira and above. They include the over 100 oil companies doing business in Nigeria, banks, government ministries, departments and agencies, MDAs, all companies in the shipping business, all airlines, all oil and gas companies and some stock broking firms amongst others. The creation of Large Tax Department was also aimed at enlisting Nigeria in the global trend. In most countries of the world, only a few corporate taxpayers, averaging between 10 and 20 per cent of the entire taxpayers, account for a huge percentage of the tax earnings of governments. The large taxpayers, who usually constitute between 10 and 15 percent of the taxpayer population in most countries, generate between 55 and 90 percent of the tax revenue. The larger percentage of the small or medium size corporate bodies in any economy, measuring about 85–90 percent of the entire taxpayers, contribute between 10–15 of the total tax revenue to governance, as indicated in the diagram below:

Taxpayer Segmentation Chart

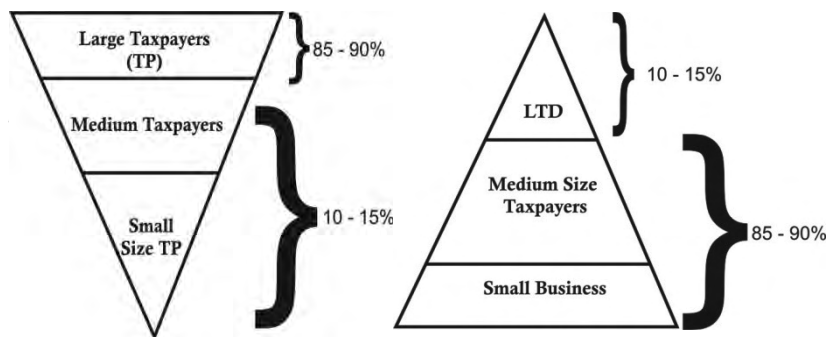


Table 3.1 (see appendix) also demonstrates the necessity for the creation of Large Tax Department. In each of these countries sampled on the table, a common strategy employed in tax revenue drive is to have a distinctive administrative structure which clearly identifies the large taxpayers for special attention without neglecting the small and medium taxpayers. It is to give the large taxpayers the desired attention, that the creation of the Large Tax Department (LTD) became necessary. Table 3.1 further shows a comparative view of the number of large taxpayers relative to their contributions to the total tax yield across several countries. In the case of Nigeria, though the large taxpayers constitute just about 20 per cent of all taxpayers, they generate about 80 per cent of the total tax revenue in, as is the case in other countries. In 2005 for example, the large taxpayers contributed N1,561,166,144 (83.2%) of the N1,876,564,840,183 of FIRS collection.¹⁶ (See Table 3.2 in the appendix)

Structure of the Large Tax Department (LTD)

The Director LTD supervises all the LTOs, assesses, collects and accounts for taxes from the LTOs, monitors entry and exit criteria of LTO cases and collaborates with the Audit Department in the audit planning and execution of LTO cases.

The Lagos LTO (Non-Oil and Gas): is in charge of all non-oil large taxpayers as well as Federal Government ministries and parastatals in Lagos and the South-West Region, as well as personal income tax from the Police and the Armed forces in Lagos State.

The Lagos LTO (Oil & Gas): handles oil and gas companies in Lagos area as well as oil and gas and international tax cases in South Western and Northern regions but does not include the South-South and South Eastern Regions.

The Port Harcourt LTO: has the responsibility to handle oil and gas companies, international tax cases, non-oil large taxpayers and Federal Government Ministries and Agencies in the South-South and South Eastern Regions, as well as personal income tax from the Police and the Armed forces in Rivers State.

Abuja LTO: handles Federal Government ministries and agencies, international tax cases, and non-oil companies in the North Central Region.

Kano LTO: is in charge of all non-oil companies and international tax cases in the North Western and North Eastern Region as well as personal income tax from the Police and the Armed forces in Kano State.

The LTOs collect PAYE from the staff of about 357 federal Ministries, Departments and Agencies (MDAs), the Police, Armed Forces and companies with turnover of over one billion in Abuja, in addition to PAYE from the Police and the Armed Forces in Lagos, Port-Harcourt and Kano.

There is an audit team located in every LTO which is jointly controlled by the Audit Department at the Headquarters. Thus, the audit units at the LTOs implement the audit programmes specified by the Large Tax Department and the Audit Department and take directive from the head of the LTO. Apart from the traditional units of administration and finance, international tax, reconciliation and monitoring, collection and filing, each of the five LTOs also has filing and assessment, collection and enforcement, registration and taxpayer services, central registry and the audit units. An LTO is headed by a Tax Controller and like the ITO; the central registry is a major feature of all the LTOs. The central registry curtails file mutilation, file misplacement and file corruption. A central registry, one of the key changes brought about by the reform, ensures effective organisation of taxpayer files. LTD is also saddled with the responsibility of the development of compliance strategies that take risk management into account, including strong investigation/intelligence machinery and operates in a one stop-shop style.

EVOLUTION OF OTHER DEPARTMENTS

The Process Operations Department

One of the earliest departments to be established since the changes started in 2004 was the Process Operations Department (POD). The department had five units:

- a. Information Communication and Technology Unit: The erstwhile ICT Unit which had operated, together with the Collection Unit as one department hitherto, became a unit under POD. ICT was mandated to plan, deploy and manage resources in connection with information systems delivery and support, handle network communication and infrastructure, application support liaison and database. The ICT unit was also to

handle regional IT resource, operations and management, process engineering and management.

- b. Bank Collection Services Unit: This Unit basically monitored designated banks, evaluated bank collections and returns, and imposed penalties and sanctions on defaulters.
- c. The Return and Payment Processing Unit: This Unit looked at returns from current taxes, monitored pool accounts and FOREX receipts and reconciliation, and served as the secretariat for the monthly performance management meetings.
- d. Tax Refund Processing Unit: This Unit was created within the POD to handle refunds processing, Tax Clearance Certificates, integrity management and taxpayer enquiries.
- e. Procurement and Due Process Unit: This Unit handled price intelligence, project consultancy and monitoring and evaluation. The unit also acted as the secretariat of the ministerial tender's board.

Refund and monitoring functions were, in the case of federal MDAs, ceded to the Large Tax Department. Integrated tax offices also handled refund and monitoring activities in relation to States and Local Governments.

When the POD took off in 2004, there were some challenges to overcome. There were no regulations to back some of its functions. There were also a lot of potent fraud syndicates. FIRS had no IT strategic plan and its operations were manual. There was a weak accountability culture as well as a weak monitoring capacity. Consequently, POD was expected to accelerate the procurement of facilities needed during the transition period, particularly effective utilization of 2004 capital vote to meet the pressing needs of the Service. Besides, the department was expected to tackle the question of revenue loss due to bank distress and also address the nagging question of un-remitted and un-transferred funds.

The Audit Department

Another department that was established at the onset of the reform in October 2004 was the Audit Department. The FIRS had always had an Audit Division as a utility/service unit. But the Audit branch was not a directorate. Yet tax audit and investigation was considered one of the core operational priorities of the new FIRS hence its identification as one of the strategic flanks of the reforms. The new department was deemed necessary on

the basis that tax audit and investigation had become major tools employed by most contemporary tax authorities to ensure that correct taxes are computed and paid while at the same time addressing fraud and evasion.

Prior to the reforms, the entire FIRS had only one unit responsible for tax audit. There was also a separate unit called Special Investigation Branch. However, their limitations were many. One of the most outstanding limitations was that both lacked requisite funding, training, independence and spread to function optimally. Clearly, there was the need to reinvigorate the function if the reform goals were to be attained. The target of the reform was to set up a tax audit unit in every tax office. Manpower constraints however aborted such plans. Thus, the first operational audit offices set up were limited only to the five Large Tax Offices. This was in February 2005. In deploying these staff, Management was categorical on what the new audit units should do. Under the arrangement, the audit units of the LTOs were part of the regional audit structure. They were to remain at their various LTOs to closely monitor large taxpayers' files. Their reporting responsibilities however remain unchanged.

The Tax Policy, Research and Development Department (TPRD)

Another innovation that came with the reforms was the creation of the Tax Policy Research and Development Department. Established in November 2004, the TPRD came about as a result of the need to have functional units responsible for tax policy analysis, formulations and evaluation. This was particularly germane in the light of the scrapping of the tax-type system of administration. The TPRD acquired some functions of the former Value Added Tax Directorate along with some functions of the former Assessment, Collection and Petroleum Departments. TPRD had responsibility for:

- a. Tax treaty negotiation and tax legislation
- b. Tax advisory and inquiries matters
- c. Tax administration and policy matters
- d. Research and statistical analysis involving monitoring, forecasting and evaluation, collection and setting policy standards as may affect the administration of taxes.

The mandate of the department was pursued through the following units:

- a. Treaty and Tax Legislation Unit: coordinated all treaty negotiations between Nigeria and other countries as well as tax legislative review and update.
- b. Research and Statistics Unit: oversaw data collation, returns analysis, revenue forecasting using statistical methodologies and also handled dispute resolution functions.
- c. Tax Advisory and Inquiries Unit: attended to inquiries from taxpayers and also determined revenue losses arising from tax exemption/concessions.

The Regional Coordination Department

The Regional Coordination Department was established to coordinate the activities of all the Integrated Tax Offices nationwide. Part of the department's mandate was to increase the contribution of non-oil revenue to overall collections and to increase tax compliance amongst small and medium enterprises, States and Local Governments. The director was responsible for ensuring that there was adequate capacity and that all the core functions of a tax unit were discharged. He was also to institute effective research and intelligence as required to obtain additional information to grow the tax base. Furthermore, the director was to ensure that effective taxpayer education and awareness programmes were implemented. Next in hierarchy to the director was the Deputy Director, Regional Coordination. The deputy director supervised Regional Coordinators, to whom all the Tax Controllers in a region reported. -The Tax Controller (TC) supervised all staff at an ITO and managed all taxpayer needs, according to the manual for ITOs. Apart from the traditional assessment and collection function, the TC also issued government assessment, triggered audit or investigation if required, updated taxpayers' register, educated taxpayers and addressed taxpayer enquiries.¹⁷

Modernisation Department

In November 2005 the Modernisation Department was created. In a memo dated November 21, 2005, the Chairman of FIRS said the new department was created to be exclusively dedicated to the task of handling the modernisation of FIRS offices, processes and overall outlook. Mr. Osy Chuke, the erstwhile Director, Process Operations Department was put in charge of the new department. The department was mainly comprised of the procurement and due process units of POD. The new department had amongst others, a Project Office for the purpose of coordinating the various project teams.

The Investigation and Intelligence Division

The establishment of the Investigation and Intelligence Division (I & I) was one of the strategic flanks of the reform. From its creation in November 2004 up till February 2006 the Investigation Unit operated as a single entity. The Management voted for a merger with the Audit Department afterwards. The division took over the operations of the Special Investigation Branch and the Intelligence Branch and was given the following mandate:

- a. Investigation of civil and criminal cases and violations of tax laws
- b. Installation of an effective database and efficient intelligence network
- c. Prosecution of violators of the tax laws to serve as deterrence
- d. Fostering closer working relationships with other government agencies such as the Nigerian Customs Service, Nigerian Immigration Service, Central Bank of Nigeria, Nigeria Drug Law Enforcement Agency, Department of Petroleum Resources, Nigerian National Petroleum Corporation, Corporate Affairs Commission, State Security Services, Economic and Financial Crimes Commission.

The division had three units namely Civil Investigation Unit, Criminal Investigation Unit and Intelligence Division.

Values and Doctrines Division

The Values and Doctrine Division was established in December 2005. The division was established as a result of the dwindling public perception and confidence towards the Federal Inland Revenue Service. The division was built on the whistleblower unit, which had earlier been established in August 2005 in the Office of the Executive Chairman of FIRS. At the time of its creation, the whistleblower unit was to serve as a window through which stakeholders and the public at large could reach the Chairman with reports of corrupt practices involving the FIRS and its staff. It was also mandated to prevent, detect, investigate and refer for prosecution, staff and non-staff who had been found wanting. The precursor to the Values and Doctrine Division was the Anti Corruption and Transparency Unit (ACTU), a standard requirement in every Federal Ministry and Extra-Ministerial Departments, Agencies and Parastatals. This was in accordance with the provisions of the Corrupt Practices and Other Related Offences Act, 2000. The division's duty was to investigate cases reported to

it through the FIRS dedicated GSM lines, e-mail addresses and those referred to it from other units and departments. The division also handled disciplinary cases. Hitherto the creation of the division, there was a Discipline and Appeals Sub-unit under the erstwhile Staff Relations Division in the Human Resources Department. The new division was placed directly under the FIRS Chairman with a mandate to ensure that all FIRS staff adhere to the rules and regulations of the Service as well as the provisions of the Public Service Rules, Financial Regulations and other guidelines and administrative circulars of the Federal Government.

The third tripod of the Values and Doctrines Division was the Reward and Recognition Unit. The creation of this unit was informed by the rationale that whereas errant staff ought to be sanctioned, staff that excelled ought to be recognised and honoured.

Quality Assurance and Change Process Coordination Division

Quality Assurance and Change Coordination Division was one of the key organs created to drive the reforms. Quality Assurance Division was responsible for ensuring that all planned and systemic activities were implemented in the best possible way in terms of quality. As a management tool, quality assurance protects the image of an organisation by ensuring that standards are developed, implemented, maintained and are complied with, as part of the organisation's quest for excellence. Change Process Coordination on the other hand was conceptualised to ensure that the FIRS is proactive in taking steps to attain the organisation's corporate goal of tripling revenue by 2007. The roles and responsibilities of the Division included:

- a. Developing measurable, reliable, realistic and achievable goals in all functional areas
- b. Interfacing with other departments and units in their planning and plan execution
- c. Developing, promoting and maintaining standards and procedures for goals attainment
- d. Identifying areas that need constant improvement and consciousness of improvement in service delivery areas
- e. Monitoring and evaluating procedures and processes in all activities

- f. Monitoring and evaluating change issues
- g. Liaising with other stakeholders and donors
- h. Ensuring that all departmental sub-goals accord with the FIRS corporate goal of optimizing tax revenue collection and voluntary compliance in a transparent and efficient manner
- i. Support in appraising human resource requirement by identifying training needs-analysis, sourcing funds for capacity building and training programmes through its liaison with external donor agencies such as the UNDP and the World Bank. This is to build capacity and establish an accurate manpower profile.

The Division had five units namely:

- a. Operations Process Review
- b. Change Management
- c. Stakeholder/Donor Liaison
- d. Business Strategy, Planning/Performance Metrics,
- e. Operational Designs and Support Matters

Pioneer head of Quality Assurance and Change Process Coordination Division, Achilles Amawhe attributes the essence of the division to the need for the Service to align its structures with its goal of delivering quality, fast, efficient and hassle free service to taxpayers.¹⁸ Beyond the enforcement of quality, the division was also expected to initiate changes. It set the ball rolling in this regard with the withholding tax mopping-up exercise conducted in 2004/2005.¹⁹

Facility Management Division

The Facility Management Unit was created in September 2004. The Unit was charged with the following functions:

- a. Compilation of office rent status
- b. Documentation of FIRS properties nationwide
- c. Security matters in all FIRS premises

- d. Compilation of office equipment and other requirements of tax offices

When Facility Management Division was first created, the FIRS Chairman requested for secondment of staff from the Federal Ministry of Works. Security and risk management functions were however separated from Facility Management and beginning from January 2006, Facility Management Division reported directly to the Chairman. Again on July 6, 2006, the Facility Management unit and the Security and Risk Management unit which were under the Department of Finance and Accounts were brought under the Office of the Executive Chairman. The change took effect from July 10, 2006.

Over these years, the Unit adopted the following strategies in attaining the objective of creating a friendly work environment for all grades of customers and stakeholders:

- a. Tracking, tapping and sanctioning negligent use of assets e.g. vehicles, computers, furniture and fittings etc
- b. Prompt response to request– rents, purchase of property, renovation cases, etc
- c. Follow up at the Ministries and states to secure early approval of request for property purchase or land allocation
- d. Fuel management and maintenance and tracking of vehicles
- e. Rent reduction– purchasing own property to avoid excess rent payment
- f. Computerization of asset record e.g. availability of fleet management package, assets register packages etc to facilitate information and adequate recording.

Procurement/Due Process Division

The Procurement and Due Process Division was created in September 2004 in compliance with the government policy on due process and procurement. Hitherto, the FIRS procurement function was subsumed under the Finance and Accounts Department, which handled all supplies. The division organised Resident Team Due Process meetings beginning from 11th September 2004. The division developed, in conjunction with other departments, an FIRS Procurement Manual and also obtained certificates for the procurement of capital items.

Process Engineering Unit

The Process Engineering Unit was created in 2004 as part of the reformed structure of the FIRS. Some of its roles included:

- a. review and documentation of all functions of the Service
- b. Evaluation of flow diagrams for overlaps, efficiency and effectiveness
- c. Mapping and development of flow programmes for all functions of the Service

Special Advisers/Project Champions in the Office of the Chairman

The need to quicken the pace of implementation of the reforms and to ensure that the FIRS is focused on matters of strategic importance led to the creation of the position of Special Advisers/Project Champions by the Chairman. They were to dedicate their full time to promoting the FIRS modernisation agenda in assigned sectors, working with the Modernisation Department. The composition of the team was as follows:

- a. Deputy Director/CFIRS/Special Adviser/Project Champion on Record Management and Document Tracking
- b. Deputy Director/CFIRS/Special Advisor/Project Champion on Funding Costing Management and Accountability
- c. Deputy Director/CFIRS /Special Advisor/Project Champion on Public and Tax Payer Education
- d. Deputy Director/CFIRS/Special Advisor/Project Champion on Training and Development
- e. Deputy Director/CFIRS/Special Advisor/Project Champion on Work Environment for FIRS staff- Facility Renovation, Enhancement and Security

WHERE WE ARE

Several changes have also occurred in the structure of the Service between 2007 and 2011. Some departments were demerged along functional lines where it was felt that such demerger could best address the goals of the reforms. For example, the Tax Policy Department was

created in 2007 and while it retained most of the functions performed by its precursor the Tax Policy Research and Development Department, some other functions such as research and statistics were transferred to the Planning, Research and Statistics Department which was also an offshoot of the demerged TPRDD. Similarly, while the Facility Division transformed into the Facility Management Department, security and safety of FIRS properties, employees and stakeholders were transferred to a new department called Security and Safety Management Department. Other departments that also came into existence within these period included the Corporate Communications Department, Learning and Development Department, Criminal Investigation Department, Legal and Prosecution Department, Field Operations, Programmes and Processes Department, Small and Medium Taxpayers' Department (I and II), Large Taxpayers Department, Tax Revenue Accounting Department, Procurement Department and other departments/ units as shall be discussed shortly below. As will also be seen shortly, most of these departments were created to drive functions that were earlier warehoused under other departments. The need to create better value, efficiency and clear reporting lines were some of the considerations behind the demerger of existing departments and the creation of new ones.

In June 2007, the Management of the Service introduced the “group system” structure in which roles and functions cascade from the group levels to departmental levels down to unit levels and finally to individual levels. The restructuring that saw the introduction of the group system made away with “Divisions.” Under the current arrangement, groups are headed by Coordinating Directors who report to the Executive Chairman. The groups consist of several departments headed by directors and the departments are comprised of units and sub-units down the line. The five groups are as follows:²⁰

- a. Corporate Development Group (CDG)
- b. Support Services Group (SSG)
- c. Tax Operations Group (TOG)
- d. Compliance and Enforcement Group (CEG)
- e. Chairman's Office Group (COG)

THE CORPORATE DEVELOPMENT GROUP (CDG)

The Corporate Development Group coordinates the implementation of the corporate plans of the Service, with the main thrust of modernizing core work modules, work environment and keeping the work force functionally and professionally capable of effectively engaging different taxpayer segments, as the Service pursues its assigned revenue mandates.²¹ The Group is headed by the Coordinating Director/Corporate Development Group (CD/CDG) who oversees the activities of the five departments in the Group.

Functions of the CD/CDG

- a. Ensure corporate planning processes that produce the appropriate plans to take the Service in its stated strategic direction.
- b. Be the custodian and performance monitor of the approved corporate and modernisation plans of the Service.
- c. Educate employees of the Service on the purpose and benefits of modernisation initiatives being undertaken; including signalling impending changes as progress is made under the approved plans.
- d. Drive the improvement, adaptation and re-modelling of the core functions of the Service so as to enable the Service to effectively use current and emerging business best practices and tools.
- e. Cater to the skills requirements of the work force and foster its acceptance of the core values of the Service.
- f. Administer the Service's Management Information Systems (MIS).

There are five departments under the Group namely; Planning, Reporting and Statistics Department; Learning and Development Department; Modernisation Department; Information and Communications Department and Procurement Department.

Planning, Reporting and Statistics Department (PRS)

Functions

- a. Timely production of corporate strategic and operational plans and periodic evaluation and appraisal of the plans.
- b. Institute and lead the maintenance of an efficient and effective Management Information System to enable informed management decision-making at all times.
- c. Maintain a state-of-the-art repository of complete operational information to ensure all-time availability of key corporate statistics, timely statutory reporting and information provision.

Learning and Development Department (L&D)

Functions

- a. Continuous analysis of the training needs of Service staff and stakeholders.
- b. Curriculum development plans for the Service.
- c. Publication of annual training plans
- d. Maintenance of faculty of quality corporate and individual trainers.
- e. Administration of training and training facilities.
- f. Provision of contemporary learning infrastructure/resources across the Service.

Modernisation Department (MOD)

Functions

- a. To facilitate the development of the modernisation plans.
- b. To ensure that all projects are preceded by approved Project Initiation Briefs (PIBs).
- c. To track the implementation of all projects approved by the Management Project Steering Committee, MPSC.

- d. As the secretariat of the MPSC, to ensure that projects meet the governance standards set by the MPSC and report infractions to the MPSC.
- e. Anchor the delivery of procurement plans approved by donors for funded projects.
- f. To develop and implement effective change management and communication policy and structure for the continuous identification and resolution of change management issues both at the Headquarters and field levels.

Information and Communications Technology Department (ICT)

Functions

- a. Ensure timely and efficient provision of ICT support services to enhance the efficiency of users.
- b. Ensure the deployment and implementation of systems infrastructure and application software that meet the needs of FIRS.
- c. Ensure a stable, reliable and sustainable technical environment.
- d. Position future solutions in support of business strategy.

Procurement Department

Functions

- a. Aggregate the procurement needs of the Service into a Procurement Plan (Management & Statutory) aligned with the budget.
- b. Secure and implement the approved plan.
- c. Pursue value for money in all procurement through periodic market survey reports and regular monitoring of projects
- d. Track performance of engaged contractors.
- e. Education of all key stakeholders on extant and emerging procurement rules, regulations and procedures.

THE SUPPORT SERVICES GROUP (SSG)

The Support Services Group provides the necessary operational and business support to ensure effective service delivery Service-wide. The Group has contributed considerably to the reform process in FIRS through the provision of effective support services to the core operations of the Service.²² The Group is headed by the Coordinating Director/Support Services Group (CD/SSG).

Functions of the CD/SSG

- a. Ensure that all sources of funding are effectively explored for effective service delivery.
- b. Provision of qualified and skilled manpower with necessary motivation to achieve the goals of the Service.
- c. Ensure secure and safe working environment for FIRS staff, with high standard protection of assets of the Service.
- d. Provide conducive work environment, through effective and efficient management of the physical work place, machinery and equipment.
- e. Management of revenue collection and accounting processes to meet set target.
- f. Drive positive attitudinal change in the Group
- g. Develop operational work plans for each department down to the respective office unit in accordance with the group plans, allocating targets on a rational basis and cascading such targets to the individual level
- h. Identify and address training needs of staff
- i. Report half yearly on all staff to be recognised or disciplined to Management not later than two (2) weeks after the period
- j. Ensure timely and proper implementation of annual plans and budget (at headquarters, regional and tax office levels); submit quarterly report to the ECFIRS not later than two weeks after the end of the quarter.

The Group is currently comprised of Human Capital Management Department (HCMD), Tax Revenue Accounting Department (TRAD), Security and Safety Management Department

(S&SM), Finance and Accounts Department (F&A) and Facility Management Department (FMD).

Human Capital Management Department

Functions

HCMD roles and responsibilities are defined into schedules of duties and the schedules are assigned to the various units that form the department. The functions of the department are carried out by the unit and a cluster of sub-units that are organized on the basis of functional areas. The units and sub-units that form the department include:²³

- a. Planning and Organization Development
- b. Human Capital Administration
- c. Employee Relations
- d. Individual Performance Management (Performance Evaluation)
- e. Job Evaluation Unit
- f. Manpower Planning
- g. HR Strategies and Management Information System
- h. HR Policies, Programming and HR Staff Capacity Building
- i. Compensation and Benefits (Payroll Administration)
- j. Human Capital Records Management
- k. Exit Management
- l. Investigation and Discipline
- m. Appeals and Industrial Relations
- n. Career Development and Succession Planning

Tax Revenue Accounting Department (TRAD)

Functions

- a. Ensure that applications for tax refund are processed within 90 days

- b. Ensure prompt/accurate monthly accounting and reporting of all FIRS collections to the Management and other stakeholders within 15 days of the following month
- c. Maintain authentic arrears figures to enable the Tax Operations Group to ensure reduction of the arrears by 25% year-on-year basis or as stated in the strategic plan of the Service
- d. Ensure minimization of wrong tax posting/classification
- e. Achieve effective and efficient tracking of all collections and un-remitted funds
- f. Ensure that FIRS tax collection by banks are secured daily

Security and Safety Management Department (S&SM)

Functions

- a. Identify potential hazards to the employees and customers/visitors and institute necessary safety measures.
- b. Continuously study/monitor installations and facilities for potential risks to personnel/people and advise on remedial safety measures.
- c. Protect FIRS and its assets against external and internal threats.
- d. Prevent unauthorized physical access to FIRS facilities, equipment, materials, information and documents.
- e. Safeguard FIRS facilities, equipment, materials, information and documents against espionage, sabotage, damage, tampering, theft and other covert or overt acts.
- f. Initiate and implement fire prevention, detection, suppression and protection measures.
- g. Secure FIRS assets and personnel against different risk exposures, such as fire disaster, natural disasters, sudden death, robbery attacks and loss of assets as well as accidents, errors, etc.
- h. Initiate and implement emergency procedures and safety drills for FIRS staff.

- i. Initiate and implement policy on fleet management and logistics support.
- j. Provide health support and advisory services in liaison with hospitals and clinics.
- k. Initiate and implement the installation of modified surveillance system in major FIRS facilities.
- l. Develop and implement Security Policy in liaison with ICT and other relevant Departments, which would then drive the implementation of such key issues as business continuity and disaster recovery plan for FIRS

Finance and Accounts Department

Functions

- a. Ensure all sources of funds accruing to the Service are received and safeguarded
- b. Disbursement of funds for approved capital and recurrent expenditure
- c. Preparation and rendition of timely financial reports to relevant authorities
- d. Advise Management on financial matters
- e. Prepare and ensure the approval of Service budget with the National Assembly
- f. Provide effective and efficient inventory management through receipt, safe keep and issuance of both store items and security documents
- g. Attend to audit queries, audit reports and Public Accounts Committee matters with the National Assembly
- h. Liaise with other relevant organisations like the Federal Ministry of Finance (FMF), Office of the Accountant General of the Federation (OAGF), Office of the Auditor General for the Federation (OAuGF), Revenue Mobilisation, Allocation and Fiscal Commission (RMAFC) and Central Bank of Nigeria (CBN), etc. for collaborative activities

Facility Management Department

Functions

- a. Identify fixed property for purchases/acquisition by FIRS.

- b. Take inventories of all fixed assets and ensure proper record of items.
- c. Update records and valuation of fixed assets of FIRS.
- d. Keep records of all rented properties of FIRS and process payments as and when due.
- e. Allocate office accommodation and relocate offices when necessary.
- f. Identify and collate requirements of various offices in terms of furniture, plants and equipment, and produce detailed bills and specifications for procurement action.
- g. Identify and renovate offices requiring renovation.
- h. Design and supervise the construction and erection of all landed properties.
- i. Develop Bills of Quantities, Request for Proposals and all tender documents for all construction and renovation works.
- j. Brief, discuss, supervise and monitor all outsourced professionals (consultants).
- k. Monitor, supervise and process payments for all outsourced service providers

THE TAX OPERATIONS GROUP (TOG)

The Tax Operations Group is charged with the core duties of the Service, namely assessing, collecting and accounting for the taxes collected. It can then be safely said that TOG is the engine that drives the Service.²⁴ The TOG represents the channel through which all relevant tax statutes are operationalized through the design of appropriate strategies and programmes to ease stakeholders' compliance burden. By this, the Group is able to provide an efficient and improved tax delivery services to customers.²⁵ The Group is headed by the Coordinating Director Tax Operations Group, CD/TOG. The TOG is responsible for:

- a. ensuring strict implementation of the tax laws
- b. growing the taxpayer population
- c. coordinating all departmental work plan to ensure harmony and efficient linkage with the corporate strategic plan of the Service

- d. articulating and providing input into the annual strategic plan of FIRS
- e. reviewing of monitoring and reporting arrangement in a way that rewards high performance/achievements
- f. preparing quarterly progress report of all departments within TOG
- g. developing appropriate structures to ensure that policies and guidelines are harmonised and adhered to by line staff and also ensure consistency of service delivery
- h. planning, controlling and coordinating all strategies and programmes in a way to ensure operational efficiency

Functions of CD/TOG

- a. Oversees the four departments and five support functions under the Group
- b. Supports the departments in policy formulation and provide strategic intervention
- c. Serves as link between departments and the Chairman, FIRS
- d. Makes inputs to enquiries on technical matters from within and outside the FIRS
- e. Institutes arrangements to monitor and report collection against revenue targets and performance standards
- f. Identifies compliance risks in the returns submitted from the field offices and advise the Management on suggested corrective measures
- g. Ensures that the operational work plan of each department is followed
- h. Attends to matters as directed by the EC/FIRS
- i. Develops strategies that will enhance tax administration

The Tax Operations Group currently comprises of four departments and five support functions directly under the CD's Office. The direct support functions are:

- a. ITAS Project: This support desk is responsible for the implementation of the Integrated Tax Administration System.

- b. Compliance Support Desk: This desk is responsible for managing relationship between the Service and MDAs in order to improve on the level of compliance
- c. Arrears Management Desk: responsible for the management of tax arrears established by the tax offices
- d. Taxpayer Services and Education: responsible for reaching out to taxpayers by way of organising seminars and workshops
- e. Tax Audit Desk: responsible for conducting special audit cases and the review of tax audit reports from the field to ensure quality audit before passing to the Management

The four departments comprised in the Tax Operations Group are Large Taxpayer Department, Small and Medium Taxpayer Department I, Small and Medium Taxpayer Department II and FIRS/FCT Department.

Large Taxpayers Department (LTD)

Functions

- a. Overall supervision of the Large Tax Offices under the department. These include one oil and gas office that handles the oil producing companies; four non-oil offices in which category are classified banks, companies with a turnover of one billion naira or more, Federal Ministries, Departments and Agencies of Government (MDAs) as well as pioneer companies
- b. Develops departmental strategy and assesses the generation of tax returns of large taxpayers
- c. Monitors annual collection targets performance for large taxpayers
- d. Defines and implements resource interventions and requirements, both qualitative and quantitative to meet collection forecasts/business goals
- e. Conducts monthly reviews with Tax Controllers and direct reporting managers
- f. Develops, manages and controls department's budget and expenditure
- g. Represents FIRS in Committee meetings such as Education Trust Fund Board

- h. Monitors industry wide trends of tax liabilities and payment.

Small and Medium Taxpayers Department I

This department is responsible for the supervision of Regional Coordinators in South-South, North Central, North East and North West Regions, who in turn oversee the activities a total of 38 Integrated Tax Offices (ITO) spread in the four regions.

Small and Medium Taxpayers Department II

SMTD II is responsible for the supervision of Regional Coordinators in Lagos Island, Lagos Mainland, Eastern and Western Regions who in turn oversee the activities a total of 37 Integrated Tax Offices (ITO) spread in the four regions.

SMTD I and II oversee the activities of the regional offices under their respective jurisdiction. Specifically, they:

- a. Initiate departmental policies
- b. Develop departmental strategies with inputs from regional offices to achieve set goals and objectives
- c. Define and implement qualitative and quantitative resource interventions and requirements to achieve set targets
- d. Implement and monitor management policies by providing oversight direction and routine guidance of field officers through quarterly field monitoring visits; monthly reviews with direct reporting managers i.e. Regional Co-ordinators; and communicating Management policies and decisions to direct reports and obtaining of feedbacks.

The Regional Controllers in the various regions listed above report to the relevant departmental director. In turn, the Regional Coordinators oversee the various tax offices within their respective regions. The Tax Controllers are in charge of operations in the Integrated Tax Offices and report directly to the Regional Coordinators within whose region the tax offices are located.

FIRS/FCT Department

The FIRS/FCT Department is responsible for supervision of Integrated Tax Offices within the Federal Capital Territory. It also oversees Special Tax Office for high net worth individuals and One Stop Investment Centre (OSIC) situated at Nigeria Investment Promotion Commission (NIPC)

Functions

- a. Oversees Integrated Tax offices within the FCT
- b. Initiates departmental policies with inputs from Tax Controllers in the FCT
- c. Defines and implement qualitative and quantitative resource interventions and requirements to achieve set targets.
- d. Implements and monitors management policies by providing oversight direction and routine guidance of field officers through: quarterly field monitoring visits; monthly reviews with direct reporting managers i.e. Special Tax Office and One Stop Investment Centre; and communicating Management policies and decisions to direct reports while also obtaining feedbacks.

COMPLIANCE AND ENFORCEMENT GROUP (CEG)

The Compliance and Enforcement Group, CEG, provides the Service with the various platforms necessary to enforce compliance with tax laws and policies. The ultimate goal of the CEG is to ensure that tax revenue collection is enhanced through the mobilization of the appropriate measures to enforce policy and legal frameworks. The Group is headed by the Coordinating Director Compliance and Enforcement Group, CD/CEG. The mandate of the CD/CEG is to provide functional direction and effective leadership for the Group, encourage voluntary compliance by taxpayers with minimal use of enforcement, make suitable tax policies for the FIRS and monitor field offices to ensure achievement of FIRS' objectives.²⁶

Functions of the CD/CEG

- a. Ensure that appropriate policies and guidelines are put in place in order to guide tax administration and encourage voluntary compliance by taxpayers to all tax laws.

- b. Drive the tax reform process and provide technical input in the review of existing tax laws as well as necessary insight in respect of new tax legislation.
- c. Establish enforcement culture that will ensure proper identification of compliance challenges and ensure continuous stream of case referrals for tax audit, process and litigation.
- d. Develop and implement annual audit programmes for all field audit units.
- e. Develop and implement strategies that would minimize tax evasion and related crimes both locally and internationally.
- f. Institute case selection criteria required to assist in the identification of types of audit that are most likely to yield significant discrepancies.
- g. Obtain necessary approvals from the Federal Ministry of Finance in respect of policies and relevant operational matters in a manner which will not prejudice the independence and autonomy of the Service.
- h. Improve the enforcement apparatus necessary to reduce the risks of non-compliance among taxpayers.

There are five departments under the CEG which include Field Operations, Processes and Programmes Department; Tax Policy Department; Tax Audit, Processes and Programmes Department; Criminal Investigation Department and Legal and Prosecution Department.

Field Operations Processes and Programmes Department (FOPPD)

FOPPD audits the core tax processes for efficiency and effectiveness. It is the eye of the Management in the field. The department absorbed the Business Intelligence Division, which was formerly a direct report to the Office of the Executive Chairman.²⁷ The key responsibilities of FOPP are to:

- a. Expand the taxpayer database through processes and programmes that constantly grow the taxpayer database and ensure all current and potential taxpayers are captured.
- b. Improve returns examination and assessment activities in a manner that significantly grows tax collection on a monthly basis.

- c. Establish an enforcement culture that ensures proper identification of compliance challenges such as non-filers, stop-filers, nil-filers, improperly filed returns, and ensure a continuous stream of case referrals for tax audit process and litigation.
- d. Leverage on new technology for improved returns and payment processing as well as for filing and collection enforcement.
- e. Improve enforcement programmes to reduce the risks of non-compliance; increase preventive and corrective actions to reduce tax evasion and tax fraud.
- f. Promote staff and taxpayer education in collaboration with relevant internal and external stakeholders through interfacing to ensure that standards are communicated and understood, and ensure constant flow of feedback on the level of implementation of set standards.
- g. Continue to evaluate the tax administration support needs of taxpayers.
- h. Address the increasing demand for timely and accurate service delivery to taxpayers in order to reduce taxpayers' compliance burden.
- i. Address the increasing demand for electronic products and services.
- j. Partner with identified stakeholders to obtain useful information for the development and management of intelligence networks.
- k. Monitor political, economic and technological scenarios and utilize analysis of same to initiate improvements in service delivery and process standards.
- l. Develop sector-focused capacity development in order to encourage specialization and improve efficiency.
- m. Improve communication and synergy among the various offices by serving as clearing house of intelligence data; and
- n. Ensure reduction in cases of Tax Clearance Certificate forgery.

Tax Policy Department (TPD)

Key Responsibilities

- a. Advise government on all tax-related matters.
- b. Ensure that tax administration at all levels of government is carried out in a transparent manner and in accordance with statutory provisions so as to safeguard the integrity of the tax system.
- c. Obtain necessary approvals from the Ministry of Finance in respect of policy and relevant operational matters in a manner that would not undermine the independence and autonomy of the Service.
- d. Provide assistance and necessary insight in respect of new tax legislation or the review of existing legislations being considered by the Legislature.
- e. Provide technical input and know-how to aid the Legislature in the discharge of its functions.
- f. Ensure cordial relationship with and provide necessary information to the Legislature in the discharge of its oversight functions on tax authorities.
- g. Publicize proposed changes to tax laws and new legislation to taxpayers.
- h. Provide guidance to the public on all aspects of tax compliance and other issues relating to the tax system in the form of information circulars, bulletins, handbills, media adverts or newsletters.
- i. Provide the Service with avenues for creating a sustainable tax culture in Nigeria in partnership with educational institutions and the Ministry of Education through the creation of a workable framework for the introduction of taxation in the curricula at all levels of educational institutions in Nigeria.
- j. Create a conducive tax environment which will engender taxpayer confidence at all levels of tax administration; and
- k. Ensure taxpayers' confidence in tax administration through the creation of a workable and sustainable tax system for the benefit of all stakeholders

Tax Audit Processes and Programmes Department (TAPPD)**Key Responsibilities**

- a. To develop annual audit programmes for all field audit units.
- b. To identify cases for such audit posing the highest risk to tax revenue and identify ways to collect data on risks.
- c. To analyse trends and information collected from audits to identify compliance risks and design specific audit approaches to meet those needs.
- d. To undertake compliance research which will provide analysis and reports of the taxpayer population by segments in order to identify the areas of highest risk of non-compliance with the revenue laws.
- e. To develop case selection criteria to assist the identification of the types of audit most likely to yield significant discrepancies.
- f. To plan for projects that will assist in identifying and quantifying risky taxpayers and subject them to audit.²⁸

Criminal Investigations Department (CID)**Key Responsibilities**

- a. Undertake investigation of cases of tax evasion (including offensive tax avoidance schemes) tax fraud and other serious violations of tax laws.
- b. Set up proactive processes and define parameters for identifying potential cases of high risk violations and non-compliance with the tax laws.
- c. Develop framework for collaboration with relevant government agencies in the sharing of information that will be mutually beneficial in fighting tax evasion, tax fraud and related crimes.
- d. Develop and carry out processes of gathering information on cases of tax evasion and related crimes.
- e. Identify and monitor emerging areas of tax evasion and related crimes both locally and internationally and develop strategies to address them.

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- f. Develop and improve standard procedures for carrying out criminal investigation including the development of operational manuals.
 - g. Develop and deploy performance standards and processes to ensure that the standards are monitored and improved.
 - h. Work with Corporate Communications Department to educate and sensitize the public on the danger of tax evasion, tax fraud and related crimes.i. Develop a pool of staff with the requisite knowledge, competencies and skills in tax investigation and the Nigerian tax laws.
 - j. Carry out enforcement measures such as search and seizure operations where it is considered expedient in aid of investigation and inducing a regime of voluntary tax compliance.
 - k. Analyse and evaluate evidence obtained through investigation to establish violations, follow up with assessments and penalties and prepare cases for prosecution where appropriate.
 - l. Identify areas of tax leakages or absurdity in the tax laws and recommend necessary amendments to the Tax Policy Department.
 - m. Assist in preparing evidence for prosecution of violators at the Tax Appeal Tribunal, Federal High Court, etc.
 - n. Communicate to internal stakeholders the objective, strategic direction, achievements and challenges of the department.
 - o. Partner with relevant securities agencies including the Nigeria Police Force, National Drug Law Enforcement Agency, Economic and Financial Crimes Commission, Nigeria Deposit Insurance Corporation, Independent Corrupt Practices (and other related offences) Commission, State Security Service, Nigeria Financial Intelligence Unit, etc, in combating tax related white-collar crimes such as money laundering, etc
 - p. Identify overall training needs for investigation staff and map out strategies to actualize the trainings.

Legal and Prosecution Department (L & P)**Key Responsibilities**

- a. Proffer legal advice to the FIRS on all matters referred to it.
- b. Summon tax defaulters before Tax Appeal Tribunal and Federal High Court to recover tax arrears.
- c. Prepare and vet contract agreements and other legal documents.
- d. Review proposed legislative bills which have impact on the statutory duties and responsibilities of the FIRS referred by the National Assembly or other institutions.
- e. Participate at meetings such as Tenders Board meetings, Quarterly Operational Management Meetings, Group Meetings, and Technical Committee/Sub Technical Meetings.
- f. Maintain a good working relationship with other Groups, Departments, Division, Units and Field Offices of the FIRS; and
- g. Carry out other activities as are necessary to enable the department perform its responsibilities.

THE CHAIRMAN'S OFFICE GROUP (COG)

The Chairman's Office Group (COG) was not among the four original groups created in June 2007. It was created in 2008 to coordinate smooth governance of the corporate body. The COG is headed and coordinated by the Executive Chairman. Departments under the COG include Office of the Executive Chairman (OEC), Corporate Communications Department (CCD), Internal Affairs Department (IAD) and Board Secretariat. In 2010, the office of Special Adviser to the Executive Chairman was created.

EC's Role and Responsibilities

The major role of the EC is to ensure effective implementation of the FIRS (Establishment) Act 2007 as well as other responsibilities as assigned by the Minister of Finance and the Presidency through policy directives and under Appropriation Acts. Specifically, the ECFIRS has the responsibility to:

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- a. Ensure proper corporate governance and proper accountability for all actions taken.
 - b. Achieve revenue performance targets as enacted into law by the National and State Assemblies.
 - c. Ensure the institutionalization of processes and systems that would engender an effective and efficient tax system
 - d. Build a critical mass of people with the required skills, attitude and motivation to continuously achieve high performing levels
 - e. Build a strong reputation that inspires confidence in the Service among taxpayers in general and its key stakeholders in particular; and
 - f. Carry out all other functions as may be required by the office.

Office of the Executive Chairman (OEC)

Responsibilities

The responsibilities of the OEC are to ensure that the Management functions of the Executive Chairman are efficiently performed. Specifically, the OEC performs the following functions:

- a. Act as Secretariat to all Management meetings and be the custodian of all Management decisions, guidelines, circulars, processes and practices in the execution of approved policies of the Board as well as execution of public service policies and directives in the discharge of these responsibilities.
- b. Work with the Executive Chairman to effectively plan for meetings and ensure that meeting agenda address critical issues necessary for effective performance
- c. Ensure that there is proper follow-up on all Management decisions taken and escalate issues necessary for the attention of the Executive Chairman as and when they occur
- d. Attend all Management meetings (EMM, WMM, OMM, REMM) and making available first hand and abridged report for the Executive Chairman
- e. Ensure that there are regular meetings of the component units of the Office of the Executive Chairman at least twice every month.

- f. Ensure the Executive Chairman's personal attention as approving authority on files and contracts, attendance at meetings, representation at Boards, Committees, and Meetings are achieved.
- g. Ensure that all organizations and functions requiring the EC's direct attention/representation (JTB, TAT, PTB, etc) are properly monitored and issues arising therefrom are captured for attention and where necessary discharged on behalf of the EC
- h. Ensure that all directives of the Honourable Minister of Finance and the National Assembly are given prompt and required attention at all times and reporting requirements are timely met
- i. Ensure the administrative needs of TAT are met through regular liaison with the Secretariat
- j. Manage the flow of correspondence to the Chairman's Office in order to assist the Executive Chairman in reducing the volume of mails directed to the office
- k. Ensure that standards are set and monitored on all records in the office of the EC and that this is replicated first at the Headquarters and then other offices nationwide
- l. Provide guidelines on and effectively supervise the administrative and financial activities in the office of the EC
- m. Represent the EC at all functions as directed
- n. Monitor performance of the component groups, departments, units within the organization and ensure feedbacks are reproduced to the relevant departments
- o. Carry out any other function as directed by the EC

Internal Affairs Department (IAD)

Key Responsibilities

- a. Implement and uphold the department's charter, policies and procedures and International Standards Organization benchmarks.
- b. where appropriate, act as a contact point for senior Management, the Audit Committee, external auditors and external regulators, coordinating internal and external audits and related assessment and reporting of issues

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- c. establish and maintain universally high quality standards in the department;
 - d. stimulate enhancement of the audit process through establishing a culture of continuous improvement;
 - e. ensure all auditable entities are identified, risk assessed, and audited as deemed necessary;
 - f. ensure proper levels of resources are employed to perform planned audits;
 - g. ensure the productive use of audit resources and careful control over costs through:
 - a) critical review, on an ongoing basis, the time spent on each engagement to ensure that productivity is maintained at an optimum level;
 - b) ensuring time budgets are used as part of the specific audit planning process for each audit;
 - c) monitoring time utilization to ensure auditors achieve a good balance between risk and reward, and that the concept of diminishing marginal returns is applied in completing audit tests;
 - d) screening work programmes developed in the specific audit planning process of each engagement to identify redundant/obsolete tests or areas where the risk either does not justify the budgeted time, or justifies reduced testing
 - e) encouraging auditors to be both fully aware of, and committed to controlling overhead expenditures;
 - h. ensure optimal development of staff through hands on management; recruitment of high caliber staff; regular rotation of staff within the various businesses and types of engagements; and effective and focused training of auditors
 - i. identify and monitor the mix of skills and experience within the department to maximize its overall effectiveness and value-added to the service
 - j. monitor developments in the businesses through communication with Management

Corporate Communications Department (CCD)

- a. Liaise between FIRS and the public using strategic and coordinated communication processes/activities, efficient relationship management and taxpayer education in the dissemination of tax information.
- b. Identify, establish and maintain mutually beneficial relationships with all FIRS stakeholders/groups through tax information and knowledge sharing.
- c. Provide timely and appropriate information/communication services to taxpayers that promotes pro-tax behaviour
- d. Preserve for posterity available and relevant tax information records and artefacts
- e. Create and sustain professional and social contacts with internal and external stakeholders
- f. Generate understanding and public goodwill for the Federal Inland Revenue Service in a way that makes it convenient for taxpayers to discharge their obligations, promotes voluntary compliance and makes taxation the pivot of national development
- g. Promote inter/intra Service understanding of all issues
- h. Conceptualisation, design and production of messages relevant to taxation in partnership with other departments and professional groups
- i. Identification of existing communication channels, content, patterns and behaviour and proactively filling gaps in tax information
- j. Positioning and performing as linkage between FIRS, its internal and external public in the quest to achieve harmonious communication relationships
- k. Liaise with all arms of government for the promotion and institutionalisation of taxation
- l. Tracking, monitoring and reporting all FIRS information on internal and external activities

Board Secretariat

The office of the Secretary to the FIRS Board is created by section 12 (1) of the Federal Inland Revenue Service (Establishment) Act 2007. Paragraphs (a)-(d) of section 12 (1) lists the functions of the Secretary to include:

- a. Issuance of notices of Board meetings;
- b. Keeping of records of proceedings of the Board;
- c. Carrying out such other duties as the Executive Chairman may, from time to time, direct

The Board Secretariat is made up of the Board Secretary and support staffs that assist him in the discharge of his duties and functions. Prior to 2009, the secretariat managed proceedings of both Board and Management. In January 2009, the Management Secretariat Unit was created under the Office of the Executive Chairman to manage meetings of the Management, leaving the Board to manage Board meetings and proceedings.

GOING FORWARD

At the 2011 Board and Management Retreat held at Nicon Luxury Hotel Abuja between 17 and 18 February, 2011, the Executive Chairman of the FIRS and Chairman of the FIRS Board, Ifueko Omoigui Okauru, had this to say:

We have to build an institution which is governed by principles, not by individuals... My idea of a strong institution is not that which is governed by strong individuals because strong individuals will always govern the institution the way it suits them; such institutions pass away with its leaders. But an institution which is governed by principles: rules and regulations will live after its leaders have passed away.

By the close of 2011, another wave of organisational restructuring was initiated and expected to come into place by March 2012. The proposed new structure, which seeks to reflect better clarity of the mandate of each group in its name is as follows:

- a. Modernisation Group

- b. Field Operations Group
- c. Standards and Compliance Group
- d. Support Services Group; and
- e. Executive Chairman's Direct Reports

The take flag off of the new structure will no doubt; result in the realignment of departments in a manner that may be different from where we are currently.

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- 3 Section 3 (1) Income Tax Ordinance 1958.
- 4 History of FIRS, op. cit.
- 5 Gbadamosi, Wahab, “Restructuring FIRS,” being a unpublished script submitted to the Reforms Documentation Project Team.
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- 12 Ibid.
- 13 Service ranks have been restyled since 2010. Principal Inspector of Taxes is now Deputy Manager, Assistant Chief Inspector is now Manager while Chief Inspector of Taxes is now Senior Manager.
- 14 Gbadamosi, Wahab, op.cit.
- 15 Ibid.
- 16 Ibid.
- 17 Tax Controllers still perform these functions under the current structure.
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- 19 Ibid.
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CHAPTER FOUR

TAX POLICY

THE NATIONAL TAX POLICY

Background

The Nigerian tax system is centred on three major pivots which are tax policy; tax administration; and tax legislation. A tax policy is a general framework that provides guidelines for the operations of the tax system.¹ The negative variances or shortfalls between the potential tax collection levels and the actual tax revenue generation in the Nigerian tax system were attributed in large part to the non-existence of a “formal, well-articulated and documented National Tax Policy which provides a set of fundamental principles which all taxes in Nigeria should comply with at all times.”² Instead of a properly documented tax policy, the fiscal objectives of successive administrations have, at various times, dictated the operations of the Nigerian tax system. Largely, the objectives have included the following:

- a. The institution of a low tax regime aimed at reducing the tax burdens of individuals in order to encourage savings and investment;
- b. The encouragement and inculcation of voluntary compliance among the citizenry, as opposed to coercive methods of ensuring compliance;
- c. The stimulation of tax incentives to encourage the development of certain sectors of the economy such as manufacturing, solid minerals, agriculture, oil and gas;
- d. A deliberate move from income tax to consumption tax;
- e. The introduction of a self assessment regime to encourage taxpayer participation; and
- f. The use of statutory mechanisms and to curb tax evasion and avoidance.

The 2002 Study Group on the Nigerian tax system identified the need for a National Tax Policy to redress the imbalances and shortcomings in the Nigerian tax system; a National Tax Policy hinged principally on the foundation of fostering national development. Such a policy was envisaged to:

- a. Serve as a means of attracting foreign direct investment;
- b. Consolidate several documents into a single document for easy reference;
- c. Blend various opinions on taxes of different kinds, as well as the issues surrounding those opinions; and
- d. Provide direction and focus on general tax practice.³

The Study Group recommended that any National Tax Policy proposed for Nigeria should incorporate the following elements:

- a. Tax should be regarded as a citizen's obligation to the Nigerian state for which he expects in return good governance, the provision of security, clean water and other social amenities. Tax revenue should be treated as the citizen's compulsory contribution for funding Government business. In return, it is expected that the Government shall employ funds so generated wholly and exclusively for the benefit of the citizens.
- b. Tax should be collected only by career tax administrators, who are civil servants, not ad hoc consultants or agents. Only self-assessments by tax administrators shall be allowed in Nigeria.
- c. Tax efforts and focus should be shifted from direct taxation to indirect taxation. This will maximize the benefits of expenditure tax, benefits such as anonymity, invisibility, voluntary compliance, lower administration costs and more guaranteed generated revenue.
- d. The number of taxes should be small in number, broad-based and yield high revenues.
- e. The machinery of tax administration should be configured to be efficient and cost effective.
- f. All the three tiers of Government should be free to set up administrative machinery for any tax under their jurisdiction, subject to the national minimum standards.

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- g. The various tiers of Government must avoid the hither-to common internal double taxation by the Federal, State and Local Governments. Double taxes on items such as property, imports, production and turnover must be done away with to reduce the tax burdens on Nigerians.
 - h. In furtherance to the desire to reduce the tax burden on individual Nigerians, the National Tax policy should be geared towards a low tax regime.
 - i. The National Tax Policy should minimize to the barest minimum tax exemptions, waivers, tax holidays, and tax free status, while emphasizing the need that the aforementioned are granted only after due process has been followed. This is to prevent leakages in tax revenue for the Government. As at 2003, Nigeria had about a hundred different types of incentives to both individual taxpayers and corporate taxpayers in the manufacturing, export, agricultural, petroleum and gas and solid minerals sectors.
 - j. The tax policy must take into cognizance the federal nature of Nigeria, and must be based on the principles of federalism. Each federating unit of Nigeria is expected to be as autonomous as the Nigerian Constitution allows. The tax policy must recognise that it is only fair and just that each federating unit has first and major right to revenue generated within its territory, especially for the purpose of inter-governmental redistribution of such revenue.
 - k. The percentage of national income contributed by tax revenue must be determined annually and should not exceed a determined percentage of Nigeria's GDP, subject to the approval of the National Assembly.
 - l. The Nigerian tax system should be fair and non-discriminatory, such that similar cases are treated similarly.
 - m. The National Tax Policy should be comprehensively reviewed every ten years, with the National Assembly as the guardian of the policy.

The Presidential Technical Committee appointed a Technical Sub-Committee on the National Tax Policy headed by the Executive Chairman of the Federal Inland Revenue Service and charged it with the responsibility of developing the background policy document. The Sub-Committee made sensitization visits to the six geopolitical zones of the country to seek input and opinions from various stakeholders, as well as to receive feedback, and secure

trust and understanding. In 2010, the final draft of the National Tax Policy was submitted to the Federal Executive Council. While the draft incorporated input from various stakeholders, the fundamentals of the draft were based on the harmonized report of the Study Group and Working Groups. The Federal Executive Council adopted the National Tax Policy on 20 January 2010.

Guiding Principles of the National Tax Policy

The National Tax Policy defines tax as “a financial charge or levy imposed upon an individual or legal entity by a State or a legal entity of the State; it is a pecuniary burden laid upon individuals or property to support government expenditure.” It goes on to state that “tax is not a voluntary payment or donation, but an enforced/compulsory contribution, exacted pursuant to legislative authority and is any contribution imposed by the government, whether under the name of duty, custom, excise, levy or other name.” The Policy further differentiates between revenue and tax. Revenue is defined as the entire amount received by the Government from sources within and outside the Government, while tax is defined as one of the several components of government revenue. Taxation is also differentiated from other sources of government revenue such as charges, fees, fines, penalty and rates. The Policy also identifies the four “R”s associated with taxation thus:⁴

- a. Revenue: as explained above, tax is as a source of government revenue;
- b. Redistribution: taxes are used for wealth redistribution;
- c. Re-pricing: tax is used, under the umbrella of fiscal policy, to adjust price levels of goods and services; and
- d. Representation: taxpayers are entitled to hold leaders in government accountable for taxes paid to the government.

The underlying philosophy of the National Tax Policy and the new tax system envisioned to arise from the implementation of the policy is the promotion of sustainable development, as well as healthy competition among tax and revenue authorities in Nigeria. The National Tax Policy will uphold the principles of fiscal federalism in revenue generation and expenditure at all levels of government, within the ambits of the Nigerian Constitution. In simple terms, it will resolve issues surrounding “who gets what, how it is collected, who controls what is collected and who is ultimately responsible for and accountable to the

taxpayers for the revenue collected and its expenditure.”⁵ The three tiers of Government have different powers spelt out in the Fourth Schedule of the 1999 Constitution of Nigeria. State Governments of the Federation, through the Houses of Assembly, can exercise the power of imposing fees, levies and rates collectable by them and the Local Governments in the respective States; this is in addition to the personal income tax they are constitutionally charged with collecting.

The National Tax Policy also spells out the desired features which any form of tax must adhere to before it becomes an acceptable component of the Nigerian tax system. The features are:

- a. **Simplicity, Certainty and Clarity:** The underachievement of the Nigerian tax system has been largely blamed on the seeming complexity of tax laws and the inability of the average taxpayer to understand them. Taxes must be understood by all; the relevant laws must be consistent and clear such that stakeholders must understand the basis of imposition.
- b. **Low Compliance Cost:** This places the taxpayers’ interest at a high position of prominence in that taxpayers shall be accorded the entitlement of enjoying the minimum cost of compliance possible.
- c. **Low Cost of Administration:** This is in line with ensuring the efficiency of the Nigerian tax system. The National Tax Policy advocates for thorough cost-benefit analysis before taxes are imposed on Nigerians.
- d. **Fairness:** The Nigerian tax system shall seek to objectively apply horizontal and vertical equity to taxpayers. In as much as tax concessions are offered to certain sectors of the economy, the tax system will, as much as is practicable, make them general and across board.
- e. **Flexibility:** The Nigerian tax system will be run in a way and manner that will make it responsive to changes in the local and international environment; the introduction of new taxes and the review of existing taxes will ensure such flexibility. The process of adjustments will be designed such that there will be no difficulty in the process.
- f. **Economic Efficiency:** This will ensure that tax rates are not a disincentive to taxpayers to save and invest.

Objectives of the National Tax Policy

The National Tax Policy identifies the objectives of the Nigerian tax system as follows:

- a. The promotion of fiscal responsibility and accountability;
- b. The facilitation of economic growth and development;
- c. The provision of stable resources to the Government (which in turn uses it for the provision of public goods to the citizenry);
- d. The adjustment of income distribution inequalities;
- e. The stabilization of the Nigerian economy; and
- f. The correction of market failures and imperfections

Categories and Roles of Stakeholders under the National Tax Policy

The Executive Arm

The National Tax Policy states that the requisite leadership and direction required to push Nigeria's tax system and the revenue agencies (such as the FIRS) in the desired direction will be provided by the Presidency. The Presidency is also responsible for signing and implementing all regional and international tax treaties entered into by Nigeria. At the State level, State Governors play roles akin to those played by the Presidency at the Federal level. They are expected to develop State tax policies which will be complimentary to the National Tax Policy. In addition, State Governors are expected to perform the following functions as spelt out by the National Tax Policy:

- a. enforce Federal and State tax laws in their states;
- b. carry out general oversight functions on tax and revenue authorities at State and Local Government levels;
- c. provide guidance and direction to the State Ministries of Finance, the States' Boards of Internal Revenue and other agencies involved in tax administration in the States;
- d. ensure cooperation among the States' Boards of Internal Revenue, the Federal Inland Revenue Service, the Nigerian Customs Service and other revenue agencies

in the adoption of a nationwide Taxpayer Identification Number (TIN) system, as well as information sharing and elimination of multiple taxes;

- e. provide advice to the Federal agencies and bodies responsible for tax policy, legislation and administration in Nigeria

At the Local Government level, Local Government Chairmen as Chief Executives shoulder the responsibility of implementing and enforcing tax laws, as well as ensuring the availability of adequate and appropriate manpower for tax revenue authorities at their level of government.

The National Council of States and the National Economic Council

The National Council of States is comprised of former Presidents, Chief Justices of the Federation, serving State Governors, the President of the Senate and the Speaker of the House of Representatives. Constitutionally, the National Council of States is not specifically mandated to advise the President on tax matters; however, the Constitution provides that the Council may advise the President on matters which he may so direct and tax may well be one of those matters. The National Economic Council is a creation of the Nigerian Constitution which is charged with the responsibility of offering advice to the President on issues regarding economic matters. Taxation is a component part of the economy and the Council's purview includes making input to the President on tax affairs in Nigeria.

The Federal Executive Council, Federal Ministries of Finance, Education and Information

As the highest decision-making body at the federal tier of government, the Federal Executive Council is charged with responsibility of approving all matters which will ensure the effective oversight of tax policy and administration in Nigeria. The National Tax Policy envisages that one of the measures by which voluntary compliance by taxpayers can be guaranteed is the full disclosure of all sources of income by the members of the Federal Executive Council; the determination of the correct taxes payable by them on those incomes; and the subsequent publication of the tax clearance certificates of members by the 30th of June of every year. The Federal Executive Council shall also ensure transparency and accountability in the utilization of tax generated and keep taxpayers informed on expenditure patterns of tax revenue on a regular basis. Furthermore, the President as Chairman of the Federal Executive Council is charged with the task of assenting to tax legislations passed by the Legislature

and should be at the forefront of maintaining a cordial, respectful relationship with the judicial arm of government that does not impugn in any way the independence, objectivity and integrity of the Judiciary.

The Federal Ministries, Departments and Agencies of the Federation are expected to do all they can within their purview to assist in the development of the Nigerian tax system, such as cooperating with the Federal Executive Council and sharing information necessary for improved tax assessment and collection. Technology has a place of pride in the National Tax Policy in that Ministries, Departments and Agencies are required to maintain a database which makes allowance for the inclusion of the Taxpayer Identification Number of every individual, company or enterprise with which they have dealings. The National Tax Policy also advocates the use of electronic payment systems by Ministries, Departments and Agencies to directly remit taxes to the relevant accounts of Federal and States' tax authorities. Transactions entered into by the Ministries, Departments and Agencies which require Tax Clearance Certificates and requisite tax documents should be ratified only after the aforementioned tax documents have been authenticated by the relevant tax authorities. The Policy states that "tax should be a major consideration in the evaluation process of individuals and organizations such that the lack of payment of taxes is seen as an affront on government and a crime."

The Federal Ministry of Finance is particularly important in the tax administration system in Nigeria. It is responsible for proposals for amendments of Nigerian tax laws by the National Assembly. The permission of the Federal Ministry of Finance is also necessary and must be sought by other Federal Ministries or Agencies before executing agreements, letters or any document touching on issues of fiscal policy. The Federal Inland Revenue Service supports the Federal Ministry of Finance on tax policy issues, and vice versa.

The Federal Ministries of Education and Information are expected to also provide support to the Federal Ministry of Finance, especially in the areas of taxpayer education and public enlightenment. The Federal Ministry of Education is expected to incorporate tax education in the curricula of institutions in the Nigerian educational system, using the "cradle to grave" concept of taxpayer education, thus entrenching a tax culture in the psyche of every Nigerian at an early age. On its part, the Federal Ministry of Information is charged by the

National Tax Policy to regularly implement public enlightenment campaigns on issues revolving around tax and government revenue and expenditure.

The State Executive Councils and the State Ministries of Education and Information

The State Executive Councils are the equivalents of the Federal Executive Councils at the State level, playing very similar roles at the State tier of government in Nigeria. The development of tax policies, implementation and enforcement of taxes at the State and Local Government level is the responsibility of the State Executive Council. The State Ministry of Finance is responsible for issues of tax policy at the State level. It initiates amendments to tax laws through applications to the National Assembly and the State's House of Assembly, depending on the purview of the proposed amendments. States' Ministries of Finance are enjoined by the National Tax Policy to cooperate with the Federal Inland Revenue Service, States' Boards of Internal Revenue and other tax revenue authorities to ensure there is transparency in the collection and utilization of tax. States Ministries of Information and Education are enjoined to replicate at the State level the role envisaged for their federal counterparts.

Local Government Councils

The Fourth Schedule of the 1999 Constitution states that the Local Government is the body in charge of collecting taxes and other revenue at the Local Government Level. The Local Government Councils may also perform other functions assigned to them by the States' Houses of Assembly. The Local Government Councils are expected to carry out the following functions as well:

- a. The strict implementation of tax laws and the incorporation of tax in the everyday business of Government;
- b. Ensure proper assessment, collection and prompt remittance of taxes to designated government accounts;
- c. Ensure the maintenance of a database of taxpayers and incorporate into the said database the Taxpayer Identification Number for every individual, company and registered body under their jurisdiction;

- d. The authentication of Tax Clearance Certificates and relevant tax documents used in the daily conduct of Government business by referral back to the relevant tax authority;
- e. The use of the electronic payment system to ensure direct remittance of tax revenue to the appropriate accounts of the tax authorities.

The Legislature

The legislative arm of government is charged with the responsibility of enacting and amending laws. The National Assembly and State Houses of Assembly are therefore assigned prominent and important roles in tax legislation. Section 4 of the Nigerian Constitution empowers the National Assembly to enact and amend laws relating to taxation of income or profits, after duly considering the input and recommendations of other stakeholders such as the Federal Ministry of Finance, other Ministries, Departments and Agencies and citizens of the country. One of the key functions of the National Assembly is to work in tandem with the Federal Executive Council for the effective translation of tax policy recommendations to tax laws. The National Tax Policy recommends that the National Assembly should be responsible for requesting for input from members of the general public with regard to issues of tax policy recommendations and tax legislations, in furtherance of the Assembly's duty as the collection of elected representatives of all Nigerians.

The States' Houses of Assembly are responsible for translating tax policies to legislation that will enhance the ability of Local Governments to effectively collect taxes, rates, fees and levies and other collectible charges. States' legislatures are also responsible for tax laws that are within the legislative competence of the States as contained in the Constitution.

The Judiciary

The Judiciary interprets tax laws and also adjudicates on tax matters. In order to ensure its effective contribution to the Nigerian tax system, the National Tax Policy recommends that the personnel of that arm of government are regularly kept informed of current developments in tax affairs in Nigeria so that they can adjudicate appropriately and fairly on matters brought before them for adjudication.

Tax Authorities

Tax authorities include the Federal Inland Revenue Service and the States' Boards of Internal Revenue. In addition to their primary statutory function of administering taxes, they also proffer advice to the Government on tax related matters. Tax authorities are expected to maintain good relationships with the other stakeholders in the tax system such as the legislature, furnishing that arm of government with the requisite information it needs to carry out its oversight functions on the Nigerian tax system. Tax authorities are also expected to educate the public on tax matters.

The National Tax Policy advocates that tax authorities should carry out their core functions efficiently and effectively; functions such as tax assessment and collection must be performed by career tax administrators instead of contracting consultants to exercise these functions. The National Tax Policy encourages fairness in the relationship between the tax authorities and the taxpayers; the former should accord the latter respect and allow them sufficient time and space to review, challenge and appeal every tax assessment or demand made by the tax authorities.

The Joint Tax Board

The Joint Tax Board (JTB), a creation of the Personal Income Tax Act, provides a platform for federal revenue authorities and States' tax authorities on the administration of personal income tax. In the National Tax Policy, the JTB is also charged with the following functions:

- a. The harmonization of tax processes and administration in Nigeria;
- b. The provision of technical assistance and support to tax authorities;
- c. The co-ordination of the nationwide introduction of the Taxpayer Identification Number and other initiatives which may be introduced with time; and
- d. The formation of standard processes and procedures for the activities of tax authorities.

Taxpayers

Taxpayers are recognised by the National Tax Policy as the most important group of stakeholders in the Nigerian tax system. Voluntary compliance on the part of taxpayers is one of the key focuses of the Policy with respect to taxpayers. Taxpayers are also expected to act in an informal supervisory role by ensuring that there is transparency and accountability in the collection, allocation, disbursement and expenditure of tax revenue. Taxpayers are also expected to perform the following functions:

- a. Assist tax authorities by furnishing them with all necessary information needed to improve the Nigerian tax system, or any such assistance that will enhance the performance of tax authorities;
- b. Make input in tax policy formulation and tax legislation;
- c. Submit disputes with tax authorities to the Judiciary for adjudication thereby contributing to the development of Nigerian tax jurisprudence; and
- d. Cooperate with the other stakeholders in the tax system

The National Tax Policy also encourages the regular organization of various forums whereby taxpayers, tax authorities and other stakeholders in the Nigerian tax system regularly interact and exchange ideas and suggestions about how to promote the development of tax administration and practice in the country.

Professional Bodies, Tax Practitioners and Consultants

The roles of professional bodies in the Nigerian tax system are statutorily enshrined in the various enactments setting them up. The Chartered Institute of Taxation of Nigeria (CITN) is empowered to determine the standards, knowledge and skill a tax practitioner must attain before entering into public practice; the CITN also maintains a register of qualified members in furtherance with its responsibility of regulating and controlling tax practice. Tax practitioners and consultants are expected to do all within their abilities to ensure there is simplification of the tax process so that the level of compliance will increase; they are expected not to be parties to non-compliance with tax laws.

Key Economic Thrusts of the National Tax Policy

The National Tax Policy places great premium on the importance of tax as a tool for national economic development. Against this background, the Policy projects that tax shall be used for the following:

- a. Stimulating the growth of the Nigerian economy by using tax revenues to develop basic infrastructure such as power, roads, transportation and other such infrastructure which will stimulate economic growth;
- b. Direct stimulation of certain sectors of the economy which are identified to be important for the creation of employment opportunities for Nigerians;
- c. Regulating and strengthening financial and economic structures and for correcting market imbalances and economic distortions;
- d. Income redistribution such that tax earned from high income earners is used for the provision of infrastructure for the lowest income earners. Taxes shall act as a means to create a social security net for “short and long term relief to indigent members of society and other classes of persons who may require such intervention by the Government;”⁶ and
- e. Stimulating domestic and foreign investment.

In order for the aforementioned objectives of the National Tax Policy to be achieved, variations in tax rates may be inevitable with the passage of time. In recognition of this point, the Policy recognises that the National Assembly is the arm of government statutorily empowered by the Constitution to vary tax rates. For instance, the Policy recognises that in order for the cost of business in Nigeria to be reduced, income tax rates should be reduced to increase the cash flow of individuals and corporate citizens. The Policy however recommends that tax reliefs and allowances relating to income taxes should be delegated to the Minister of Finance for easy administration.

In order to make up for the shortfall in revenue envisaged by the reduction of income tax rates, the National Tax Policy envisages occasional upward reviews of indirect tax rates. The Policy further specifies certain special arrangements which may deviate from established

structures of the Nigerian tax system as currently constituted in order to attract and retain investments in the country. Examples of such arrangements are as follows:

- a. The creation of Tax Free Zones in order to foster increased investment, growth and development in certain aspects of the economy or certain economic activities. The Policy specifies that the Tax Free Zones must be set up and administered by strictly following guiding legislations on such matters. The status and benefits of Tax Free Zones are to be subject to constant periodic review and the Government has the prerogative of discontinuing such arrangements if and when they are no more of any obvious advantage to the Nigerian economy.
- b. The provision of tax incentives to specific sectors or activities in the Nigerian tax system to encourage their growth and development. The granting of waivers must be transparently done and applied across board in the sectors where they are granted. The Ministry of Finance and the Ministry of Justice at the Federal and State levels are charged by the National Tax Policy to ensure that there is issuance and gazetting of the applicable Orders which specify the incentives, waivers or concessions granted. The incentives will be aimed at encouraging investment, especially in the non-oil and gas sector. Tax incentives are also to be subject to regular review to determine their usefulness.
- c. The expansion of Nigeria's international treaty network so as to encourage foreign direct investment. These treaties address issues such as double taxation, residency and information sharing which is necessary to forestall tax evasion by companies and individuals. The Federal Ministry of Finance and the Federal Ministry of Foreign Affairs are empowered to negotiate such treaties while the JTB is to play an advisory role in such negotiations. Ratification by the relevant arm of the Nigerian Government, as well as cancellation if and when such treaties are no longer beneficial to the economy shall be done within the ambit of Nigerian laws.
- d. Entering into Production Sharing Contracts or similar arrangements which provide a more favourable tax burden for companies operating in the oil and gas sector, thus leading to greater cash flows for oil and gas companies and overall, a much more favourable environment in which oil and gas companies may operate and invest even more to further develop the sector.

The National Tax Policy and Tax Administration

A tax policy can only be described as successful when it leads to effective tax administration. The National Tax Policy recognises that sufficient and accurate information is the major requirement needed for effective and efficient tax administration which is not always voluntarily provided by taxpayers, a situation not in any way peculiar to Nigeria. The Policy enjoins the tax authorities in the country to develop internal competencies for information and intelligence gathering, as well as active collaborations with law enforcement agencies, data gathering agencies, or any such agencies which may be in the position to furnish them with the relevant information needed to enable the tax authorities adequately perform their statutory functions. Although the TIN system is expected to facilitate easier identification and monitoring of taxpayers, the Policy recommends that taxpayers be educated on intelligence and information gathering methods used by tax authorities, methods which are expected to protect the privacy of the taxpayers and to be in conformity with constitutional requirements. Specifically, the National Tax Policy makes provisions on the aspects of tax administration discussed below.

Filing Returns, Payment and Collection

Tax collection completes a chain of processes which is set in motion by the filing of self-assessment returns by the taxpayer. In order to ensure the efficiency of tax administration, tax authorities are required to educate and enlighten taxpayers on the filing and returns process. This will avail tax authorities time and resources to enforce compliance on recalcitrant taxpayers. The Policy further enjoins tax administrators to:

- a. ensure simplicity and transparency in the filing of self assessment returns; and
- b. introduce and sustain the use of technology in for its key processes

Tax Audit, Investigation, and Enforcement Mechanisms

The audit and investigation aspect of tax administration seeks to verify the tax status of the taxpayers and to ascertain the completeness and accuracy of tax returns filed by taxpayers. In order to get a proper perspective on the taxpayer's status, it is imperative that audits are carried out regularly and within a reasonable period. The National Tax Policy recommends

the use of electronic/technological and related means in the audit process. Tax audit and tax investigations involve similar processes, but they differ in the sense that the latter process is a lot more rigorous and could culminate in the prosecution of taxpayers found to be in default. The tax authorities are expected to carry out both processes openly and fairly so as to allow taxpayers ample opportunity to supply necessary and relevant information which will facilitate efficient audit and investigation of the taxpayers' records.

Leakages occasioned by tax evasion and avoidance may be plugged by:

- a. strengthening the criminal prosecution process
- b. collaboration among tax authorities at all levels of government;
- c. taxpayer education and enlightenment;
- d. capacity building of tax officers to increase skills and competencies
- e. automation of key processes in order to eliminate or reduce human errors and fraud
- f. identification of existing and potential loopholes in tax laws to reduce tax avoidance
- g. devising appropriate sanctions to dissuade defaulters or offenders from evading tax

The National Tax Policy recommends reward for taxpayers who duly comply with tax laws, especially publicized rewards which encourage other taxpayers to do likewise.

Tax Refund Operation and Funding

The tax refund part of tax administration helps to ensure that taxpayers who pay excess taxes have the excess refunded. The National Tax Policy recommends that the first step in the refund process is that taxpayers must first establish genuine cases of overpayment. After the relevant tax authority has rigorously, fairly and objectively verified the claims, genuine refunds should be done within ninety days from the day the claim is established. Information on any reasons for delay should be readily made available to the taxpayer. The National Tax Policy recommends that tax authorities set aside a certain percentage of their total annual collection for tax refund purposes. The amounts set aside for meeting those obligations must be appropriated in the annual estimates by the National Assembly or State

Assembly. Unspent funds from such appropriated funds are expected to be returned to the relevant tier of government.

Tax Revenue Accounting

The National Tax Policy recognises that for taxpayers to be inspired to place a high level of confidence in the tax administration system of the country, tax authorities are responsible for giving proper, timely and complete account of tax revenue collected within given accounting periods. Not only is this expected to inspire confidence in the taxpayers regarding the tax administration process, it will also help the prevention of tax leakages. Leakages are more easily identified within the context of a transparent system. Tax authorities are expected to publish collection figures such that they are available to the general public and all stakeholders in the tax system, in addition to being made available to the Ministry of Finance and the Accountant General's Office.

Dispute Resolution Mechanisms

The National Tax Policy prescribes a number of ways by which such disputes can be resolved, taking into cognisance the role and status of the various stakeholders in the whole system.

Disputes between the Federal and State Governments⁷: while recognizing the extant constitutional provision which requires disputes between Federal and State Governments to be resolved by the adjudication of the Supreme Court, the Policy advocates alternative dispute resolution methods before the parties resort to litigation at the Supreme Court. The Policy recommends deliberations between the parties under the auspices of different platforms including the Nigeria Governors' Forum, the National Economic Council, the Federal Executive Council, and the Council of States meetings. Where deliberations at any or all of these fora fail, the Policy recommends mediation by the other State Governments or Federal Government Agencies or by other arms of Government such as the Judiciary. Mediation by the Judiciary must be done in a manner that does not impugn on the independence and the impartiality of the Judiciary, especially if it appears likely that such dispute may finally be resolved through judicial adjudication.

Disputes between State Governments⁸: The Supreme Court is also saddled with the responsibility of adjudicating on disputes between State Governments. The Policy

recommends the same methods of alternative dispute resolution above in the event of disagreement between States. In addition to methods above, deliberations could also be held by the Attorneys General of Finance Commissioners or other relevant officials of the States involved.

Disputes between State and Local Governments: The States and Local Governments have closely interlinked functions such that the National Tax Policy advocates more of informal dispute resolution methods, instead of quick resort to litigation which may lead to “dislocation and distraction to governance which such disputes may trigger.”⁹ Such arbitrators as traditional rulers, State and Local Government organs and other stakeholders may intervene to resolve the disputes. The failure of these informal procedures may then give way to judicial adjudication.

Disputes between the Executive and the Legislature: The National Tax Policy also advocates the initial use of arbitration channels such as traditional rulers, relevant officials, and relevant institutions of State such as the Federal and State Executive Councils, the Council of State, the National Economic Council before resorting to litigation.¹⁰ The Executive and the Legislature may also explore the options of using liaison officers and organs of the Judiciary such as the National Judicial Council. Judicial adjudication should be the last resort.

Disputes amongst and between the Executive, Legislature and the Judiciary: The National Tax Policy recommends that such disputes be resolved discreetly and amicably through informal channels to prevent undermining the integrity, impartiality and independence of the Judiciary which is likely to be required to resolve the disputes between and amongst the other arms of Government.¹¹

Disputes with Taxpayers: Taxpayers are constitutionally empowered to seek judicial remedy to disputes in which they have a stake. Taxpayers are therefore entitled to explore the Tax Appeal process if and when they are dissatisfied with the decisions of any tax authority relating to the taxpayers status. They may also explore the same option with regard to the interpretation/application of tax laws and other matters which may affect the rights and status of the taxpayer. Tax authorities are expected to enlighten taxpayers on the tax appeal process and are responsible for informing taxpayers, individual or corporate, of their right to tax appeal. Tax authorities may also engage taxpayers so as to collaborate with them on alternative dispute resolution of such contentious issues.

Implementation of the National Tax Policy

Appendix 2 of the National Tax Policy highlights the strategies to be adopted to ensure the success of the policy and the creation of a tax system in Nigeria which will lead to the economic development and advancement of the country. The tax strategy has been devised to suit Nigeria's economic situation. Some of the strategies include:

Lowering the Tax Rates: One of Nigeria's economic objectives is to attain an annual economic growth rate of at least 10 per cent per annum. One of the ways by which this can be attained is by allowing domestic and foreign investors greater after tax profits. Investors in the non-oil sectors of the economy will be the target of several of the tax relief initiatives designed to encourage foreign and local investors to invest in the Nigerian economy. Table 4.1 shows various tax types and their percentage contribution to total national revenue.¹² Ghana, Kenya and South Africa (which are some of Africa's leading economies) depend on corporate and personal income taxes. Table 4.2 shows the income tax rates in the same African economies. (See appendix for Tables 4.1 and 4.2) The reduction in income tax rates in Nigeria will attract foreign direct investment into the country by creating competitive advantage in Nigeria's favour.

Deliberate Policy Shift towards Indirect Taxation: Following the recommendations of the Study Group and the Working Group, the National Tax Policy endorses the policy shift of changing focus from direct taxation to indirect taxation. However, the Tax Policy specifies that indirect taxes such as value added tax should not be levied on essential goods and services. This will necessitate the expansion of VAT exempt or zero-rated goods and services.

Simplification of Tax Laws: As explained previously, simplified tax laws will reduce administrative costs incurred by (especially corporate) taxpayers in complying with tax laws.

Granting Tax Holidays or Pioneer Status to Taxpayers: The National Tax Policy encourages the granting of tax incentives to taxpayers only when such incentives will be beneficial to the Nigerian economy. They may be granted to sectors of the economy which the Government wishes to give priority and should be granted when there is an outstanding reason to implement such tax reliefs. Such key economic sectors identified by the Government are energy, mining, railways/roads, education, health, aviation, exports and agriculture.

Creation of Export Processing Zones (EPZs): One of Nigeria's economic goals is to transform the national economy to an export-oriented economy, especially to reduce Nigeria's international trade deficit and trade imbalance. The National Tax Policy recommends that:

- a. Companies which operate in EPZs should continue to be exempted from income taxes, provided that 100% of the goods produced in the zones are meant for export. Exports from the EPZs into Nigeria which is Customs Territory shall attract the appropriate duty on imported raw materials.
- b. Value added tax on goods produced in EPZs should be zero-rated.
- c. All companies located within EPZs should continue to file returns to EPZ authorities even though no tax is payable.
- d. Exemptions from import and export levies and taxes should continue to apply within the EPZs, except where the entities transact business outside the EPZ.
- e. The various provisions of relevant legislation pertaining to percentages of EPZ production allowed into the country should be retained. However, any entity located in an EPZ which sells to the domestic market should be made to pay tax on the profit realised from sales outside the EPZ.

The main aim of the above recommendations is to ensure that only companies with the intention to produce goods for export are located within the EPZs. This will make away with the practice where some companies seek to be located at EPZs only to take full advantage of the liberal tax regime.

Reduction of Import and Excise Duties: The National Tax Policy explains that reducing import and excise duties to zero percent will present to Nigerian manufacturers a great opportunity to produce intermediate and finished goods. Reductions in the import and excise duties must be done such that they do not contravene the conditions of international trade agreements entered into or ratified by the Government of Nigeria.

Strengthening Nigeria's Oil and Tax Regime: The National Tax Policy recommends regular information sharing between tax collection agencies and agencies charged with the administration of the Nigerian oil and gas sector; agencies such as the Nigerian National Petroleum Corporation, the FIRS, the National Petroleum Investment Management Services

(NAPIMS) and the Directorate of Petroleum Resources (DPR) are enjoined to share information regularly to optimise oil and gas revenues and tax compliance in the industry. Steps are also expected to be taken to codify all regulations and orders applicable in the oil and gas sector.

Use of Presumptive Income Tax Assessment Procedure: This is intended to tackle the non-compliance of taxable persons who have failed to comply with tax laws as a result of their lack of fixed business addresses or size. The Presumptive Income Tax Assessment procedure is a simplified and quick method of assessing taxpayers.

Elimination of Multiple Taxes: Intensive taxpayer education is expected to reduce the incidence of multiple taxes, coupled with the implementation of the TIN system.

Improving the Existing Relationship between the FIRS and Large Taxpayers: The LTOs are mainly specialised in tax collection matters related to taxpayers with an annual turnover of at least one billion Naira. These relationships can be boosted to ensure maximum compliance by the large taxpayers.

Implementation of a Value-Added Tax (VAT) Threshold: In order to determine and improve the administration of VAT in Nigeria, the National Tax Policy proposes the determination of a given threshold for the annual turnover of companies such that companies with a turnover over and above the threshold are obligated to charge and/or remit VAT. Conversely, companies with a turnover below the threshold are not obligated to charge and/or remit VAT. Such threshold should be fixed by the FIRS.

The Institutionalisation of a Tax Culture in Nigeria: The average Nigerian citizen needs to be made tax conscious so that they cooperate fully with the Government. Nigerians have to be enlightened constantly about the benefits of complying with tax laws. Tax authorities and educational institutions are expected to play key roles in taxpayer education. Educational institutions are expected to encourage the development of taxation as a course of study at all levels of the Nigerian educational system; scholarships and incentives such as employment opportunities should be granted to students who specialise in the area of taxation. Professional taxation bodies which exist in the Nigeria should be strengthened and more created to ensure improvements in the Nigerian tax system.

Granting Autonomy to Tax Authorities: In order to perform at optimal level, tax authorities must be free from political and other influences which threaten their independence and objectivity.

The National Tax Policy enjoins governments at all levels to implement the strategies discussed above to ensure the successful implementation of the policy. The strategies can be better implemented by the passage of the necessary tax legislations which will give constitutional and statutory backing to the implementation of the National Tax Policy.

TAX POLICY DEPARTMENT IN THE FEDERAL INLAND REVENUE SERVICE

The Tax Policy Department of the FIRS which is an arm of the Compliance and Enforcement Group of the Service has the vital role of ensuring that there is effective collaboration between the FIRS and stakeholders in the Nigerian tax system on matters pertaining to taxation through the issuance of guidelines and the exchange of feedback on the provisions of tax laws to promote voluntary compliance with those laws.¹³ The precursor to the department is the Tax Policy Research and Development Department, TPRD, which was established in November 2004. The TPRD was created at the beginning of the restructuring process of the Service to provide an organ within the Service that would be responsible for tax policy analysis, formulations and evaluation. The functions of the TPRD included:

- a. Tax treaty negotiation and tax legislation
- b. Tax advisory and inquiries matters
- c. Tax administration and policy matters
- d. Research and statistical analysis involving monitoring, forecasting and evaluation, collection and setting policy standards as may affect the administration of taxes.

In 2007, the Tax Policy Department was created. While the functions of statistical analysis, evaluation and setting of performance standards were vested in the new Planning, Research and Statistics Department, the other functions of the erstwhile TPRD continued to be vested in the new Tax Policy Department. Currently, the responsibilities of the Tax Policy Department of the Service include:¹⁴

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- a. To advise the Government on all tax related matters;
 - b. To ensure that tax administration at all levels of Government is carried out transparently and in conformity with statutory provisions such that the integrity of Nigeria's tax system is protected;
 - c. To obtain requisite approvals from the Federal Ministry of Finance with regard to policy and relevant operational matters such that the independence and autonomy of the Service is not prejudiced;
 - d. To render assistance and provide necessary insight to the Legislature in regard to new tax legislation or the review of existing legislations;
 - e. To provide the Legislature technical input and know-how to enable it discharge its functions appropriately;
 - f. To publicise proposed changes to tax laws and new legislation to taxpayers;
 - g. To provide guidance to the general public on all aspects of tax compliance and other issues related to the Nigerian tax system through various forms such as information circulars, bulletins, handbills, media adverts and newsletters;
 - h. To create and sustain a tax environment which will boost taxpayer confidence at all levels of tax administration by the creation of a workable and sustainable tax system which will be beneficial to all stakeholders in the Nigerian tax system.

SUPPORTING TAX POLICY UNIT AT THE FEDERAL MINISTRY OF FINANCE

The functions of the Federal Ministry of Finance include the preparation of annual estimates of revenue and expenditure; formulating policies on fiscal and monetary matters; identification and estimation of revenue; and managing revenue allocation matters. Most tax policy issues and legislations originate from the Tax Policy Department of the Service but must be channelled through the Ministry for onward deliberation at the Federal Executive Council. The mandate of the Service makes it necessary for close level interaction with the Ministry. In order to facilitate smooth interaction between the Ministry and the Service, a deputy director was deployed from the Service to the Ministry in 2010 to coordinate the interface between the two offices and also assist in kick-starting the establishment of a Tax Policy Unit at the Federal Ministry of Finance. The Unit is expected to provide and articulate

policy direction by recommending changes to existing laws. It is also expected to help in the development of new laws which will improve tax legislation and administration, all aimed at improving living standards through the expenditure of tax revenue. The Unit is also expected to serve as a coordinator of policy proposals made by other stakeholders in the Nigerian tax system. Specifically, the Unit will have the following responsibilities:¹⁵

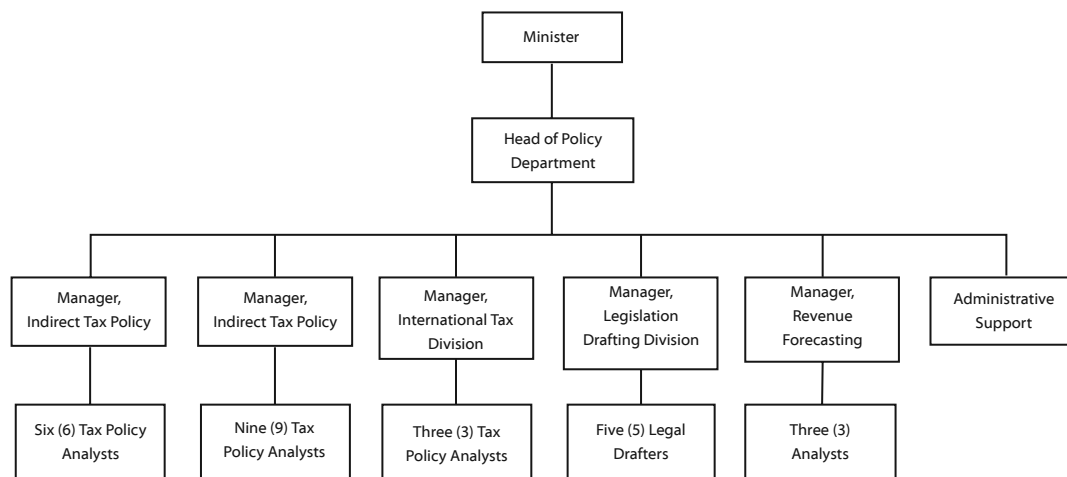
- a. To use taxation to foster sustainable economic development that meets the needs of the present generation without compromising the ability of future generations to meet their own needs;
- b. To create awareness on the importance of the role which taxation can play in securing a stable flow of revenue for the Government;
- c. To promote and encourage healthy competition amongst tax authorities in Nigeria at the Federal, State and Local Government levels to facilitate rapid development of the tax sector in Nigeria;
- d. To uphold the application of fiscal federalism in the generation and expenditure of revenue by governments at all levels in accordance with the Nigerian Constitution; i.e., who collects what, how it is collected, who controls what is collected, how what is collected is shared and who is ultimately responsible and accountable to the taxpayer for the revenue collected and its expenditure;
- e. To play an interventionist role in the provision of tax incentives (including tax regimes, reliefs, allowances and others) and shift reliance to indirect domestic taxes in consultation and collaboration with the FIRS.
- f. To provide policy direction in the taxing of non-residents and foreigners resident in Nigeria. This includes negotiations of Double Taxation Agreements, exchange of information and prevention of tax evasion.
- g. To provide a platform for resolving disputes between two competent authorities with respect to a complaint of a taxpayer on the grounds that the actions of one or both authorities may result in double taxation. This can be done by using Mutual Agreement Procedures (MAP);
- h. To provide collaborative assistance in respect of new legislation and/or the review of existing legislation being considered by the Legislature;

- i. To provide a platform for revenue analysis including the estimation of revenue in collaboration and consultation with the FIRS; and
- j. To also evaluate and coordinate policy proposals made by other sectors, either from within government or by private agents, business and social associations or even individuals writing to a Minister to express concerns about some aspects of the tax law.

The diagram below shows the suggested structure of the proposed Tax Policy Unit at the Federal Ministry of Finance.¹⁶

The members of staff of the Tax Policy Unit at the Federal Ministry of Finance are expected to be qualified in disciplines such as law, accounting, and economics. Preferably, they are expected to possess a mixture of these skills. The staff will be broken into structures which will perform the following tasks:¹⁷

- a. Tax policy analysts who will be concerned with policies connected to direct and indirect taxes;



The members of staff of the Tax Policy Unit at the Federal Ministry of Finance are expected to be qualified in disciplines such as law, accounting, and economics. Preferably, they are expected to possess a mixture of these skills. The staff will be broken into structures which will perform the following tasks:¹⁷

- a. Tax policy analysts who will be concerned with policies connected to direct and indirect taxes;
- b. A group with expertise in the field of international tax which will be engaged in the development of Double Taxation Agreements with other nations;
- c. A group concerned with revenue analysis; and
- d. A group assigned the task of drafting legislation, staffed by legal drafting experts. It will be capable of translating policy designs into law.

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- 5 Ibid, Chapter 2 paragraph 2.4.
- 6 Chapter 4 paragraph 4.1.
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- 8 Ibid, Chapter 6, paragraph 6.2.
- 9 Ibid, Chapter 6 paragraph 6.3.
- 10 Ibid, Chapter 6, paragraph 6.4.
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- 12 Ibid, Appendix 2.
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CHAPTER FIVE

TAX LEGISLATION

Background

The point has been made in the preceding chapter that a tax system is built on a tripartite foundation: a tax policy, tax laws and tax administration. The policy sets out the guidelines, principles and objectives to be achieved through the instrument of taxation. The laws create tax types, impose rates, prescribe penalties for default and generally provide the enabling legal and regulatory framework for the system. Tax administration involves the implementation of the tax laws through the activities of the authorities vested with the responsibility of assessing, collecting and accounting for tax revenue. The focus in this chapter is on the various tax legislations that have been amended, repealed or enacted as part of a concerted, deliberate and holistic approach towards reforming the Nigerian tax system and how these laws have impacted on the overall reform process.

Prior to 2004 the Nigerian tax system comprised of at least 39 taxes, levies and fees that were statutorily recognised.¹ In addition to these however, there was a plethora of other taxes and levies like customs and excise duties, mining royalties and premiums on petroleum, etc provided for under different laws as well as a myriad of levies collected by local government authorities outside the ambit of the law. Another feature of the tax system prior to 2004 was the erroneous perception that the issues of taxation are the same as the issues of finance. As a result of this, issues pertaining to the tax system were resolved by the promulgation of omnibus decrees which were given the rather ambivalent title of ‘Finance (Miscellaneous Taxation Provisions) Decrees’.² Yet another feature of the pre 2004 tax regime was the tendency to enunciate new tax laws through the instrumentality of budget speeches. For example, every budget speech between 1975 and 1980 amended or repealed one major tax law or the other. One major consequence of this untidy proliferation of tax codes was that it became almost impossible to accurately enumerate the body of laws that

comprised the Nigerian tax system. Not counting the finance (miscellaneous provisions) decree, the major pre-2004 tax laws, nearly all of which were vestiges of military rule include:

- a. The Constitution of the Federal Republic of Nigeria 1999
- b. Petroleum Profits Tax Act³
- c. Companies Income Tax Act⁴
- d. Capital Gains Tax Act⁵
- e. Education Tax Act⁶
- f. Personal Income Tax Act⁷
- g. Stamp Duties Act⁸
- h. Value Added Tax Act⁹
- i. Customs and Excise Management Act¹⁰
- j. Minerals and Mining Act
- k. Petroleum Act¹¹
- l. Taxes and Levies (Approved List for Collection) Act

The existence of a large body of legislation as highlighted above as well as the imposition of taxes and levies outside the ambit of the law gave birth to multiplicity of taxes; a development that is universally acknowledged as antithetical to voluntary compliance and good taxation practice.¹²

The Road to the Legal Reforms

The Study and Working Groups amongst other things recommended that the existing tax laws should be revised and updated to conform to current realities and contemporary trends comparable in other jurisdictions.¹³ The FIRS also made recommendations to the Federal Executive Council (FEC) on the proposed comprehensive reform of the Nigerian tax sector. Some of the recommendations were that the Personal Income Tax Act, the Companies Income Tax Act, the Petroleum Profits Tax Act, the Value Added Tax Act be amended;

while the Education Tax Act should be repealed.¹⁴ Sequel to the Extraordinary Meeting of the FEC on 18 October 2004, and the constitution of the Presidential Technical Committee to draft a bill on tax reforms, the Committee identified the issues to be addressed by the legal reforms as follows:

- a. Clearer definitions of ambiguous words in tax legislations;
- b. Autonomy and secure funding for the FIRS;
- c. Clearer definition of the functions of the FIRS;
- d. New governance structure for the FIRS in view of the proposed autonomy;
- e. Mechanism for refund of over-paid taxes;
- f. New personal income tax rates and clearer and enhanced relief structure;
- g. Abolition of special purpose taxes and streamlining of tax types;
- h. Increase in VAT rate from 5% to 10%;
- i. Streamlining the numerous incentives in the tax laws;
- j. Abolition of education tax and creation of Education Trust Fund;
- k. Upward review of sanctions and penalties in the tax laws in line with contemporary realities;
- l. Taxation of goods produced in, but sold outside Free Zones.

The initial concept at the time of constituting the Committee was for the Committee to produce a draft bill on tax reforms. However, the Committee came out with different bills focusing on the issues encompassed in the reform of the tax system on the advice of its Legal Sub-Committee. Thus, issues that pertained to the FIRS operation and management were addressed in a bill establishing the FIRS as a body corporate, while other issues that bothered on revising existing laws were addressed as bills to amend the existing legislations.¹⁵ Nine bills were recommended. They were:

- a. A Bill for an Act to establish the FIRS as an autonomous Service;
- b. A Bill for an Act to amend the Companies Income Tax Act;
- c. A Bill for an Act to amend the Petroleum Profit Tax Act;

- d. A Bill for an Act to amend the Personal Income Tax Act;
- e. A Bill for an Act to amend the Value Added Tax Act;
- f. A Bill for an Act to establish the Education Trust Fund and repeal the Education Tax Act;
- g. A Bill for an Act to amend the Customs, Excise Tariffs, etc. (Consolidation) Act;
- h. A Bill for an Act to amend the National Automotive Council Act;
- i. A Bill for an Act to amend the National Sugar Development Council Act.

In each bill, the Presidential Technical Committee identified critical areas of amendment and provided justification for the amendment proposed. The government forwarded the bills to the National Assembly in November 2005 as Executive Bills. Between 2005 and 2011, six of these bills were passed by the National Assembly while three are still pending.

LEGAL REFORMS ACHIEVED

1. The Federal Inland Revenue Service (Establishment) Act 2007

The emphasis of the Presidential Technical Committee was on seven key areas namely management of human resources, funding, composition of the Board, tenure of the Board, tax refund, power of the Accountant General of the Federation to deduct unremitted tax at source and stiffer penalties for infractions of tax laws.

- a. Management of human resources: Hitherto, the responsibility of managing the human resources of the FIRS was on the Federal Civil Service Commission. The Commission was responsible for recruitment, promotion, discipline and sundry matters affecting employees of the Service. The bureaucracy associated with the Commission hindered effective and expeditious human resource management. The Committee determined that the existing trend did not serve the needs of a modern and efficient organisational structure with specialised skills and recommended that powers of appointment, promotion and discipline should be conferred on the Service.
- b. Secure and sustained funding: For the Service to drive the transformations required to be implemented, there was need for sustained and adequate funding of the

FIRS. However, in the light of the Supreme Court decision in *Attorney General of the Federation vs. Attorney General of Abia State and Others (No.2)*¹⁶ abolishing first line charges, all public funding must be subject to appropriation by the National Assembly. The challenge identified by the PTC was that while revenue collections are done and remitted on month to month basis, budgeting and appropriation is done once in a year. In order to provide a criterion that would guide the National Assembly in making appropriations for the Service, the Committee recommended that the preceding year's collection should be used as a benchmark for determining the percentage that should be budgeted for the Service. In doing so, the need for more funding in the coming year will provide impetus for the Service to increase its revenue drive in the current year.

- c. Composition of the Board: The Committee recommended the expansion of institutional representation on the FIRS Board to include the Attorney General of the Federation and the Deputy Governor of the Central Bank of Nigeria in charge of operations. The Committee further recommended the creation of four positions of Deputy Chairmen to be filled by directors within the Service. The expanded institutional representation was borne out of the need for greater oversight of the FIRS in view of its recommended autonomous status which would henceforth detach it from the mainstream of the core federal civil service. The creation of four deputies for the Chairman was aimed providing for devolution of powers; ensuring continuity; and providing career incentive for staff of the Service.
- d. Tenure of the Board: The Committee was divided along two contending propositions of a single term of five years and a term of four years renewable only once. A compromise was reached on a single term of six years for the Chairman and the Deputy Chairmen. Membership of institutional representatives depended on the tenure of office in the institutions they represented
- e. Tax Refund: The Bill provided in more detail the refund process and approving authority; and the opening of a dedicated account for that purpose to be credited, with the approval of the Federation Account Committee, as soon as refund claims are verified and approved by the FIRS

- f. Power of the Accountant General to deduct unremitted taxes at source: It was recommended that legal backing should be given to the Accountant-General of the Federation to deduct unremitted taxes from the budgetary allocations of government agencies. This was intended to help instil financial discipline in the accounting practices of Government Ministries, Departments and Agencies.
- g. Offences and Penalties: Penalties already existed for infringement of the existing tax laws. However, most of the penalties having being in existence for so long were no longer adequate in deterring anti-tax behaviour. The bill therefore proposed stiffer penalties than those contained in the prevailing laws.

The bill for an Act to establish the Federal Inland Revenue Service as an autonomous agency was passed by both Houses of the National Assembly in February 2007 as the Federal Inland Revenue (Establishment) Act 2007(FIRSEA) and on 16 April 2007, the Act received Presidential Assent and assumed force of law. Two proposals of the PTC were dropped from the final Act. The first was the creation of the offices four deputy chairmen. The Act established no such offices. However, in the course of organisational restructuring, four offices of Coordinating Directors were created and filled from among the directors within the Service. The Coordinating Directors supervise directors and heads of departments that fall within their groups and together with the Executive Chairman, constitute the top management echelon of the Service but they do not sit on the FIRS Board. Second, the proposed single term of office for the chairman was jettison in favour of a term of four years renewable once for the chairman and members representing the geo-political zones. The proposal that the Central Bank of Nigeria should be represented by the Deputy Governor in charge of operations was modified. The CBN is represented by the Governor or his representative. All the other proposals of the PTC were passed and the National Assembly also included some elements in the Act that were not contained in the original bill. Essentially, the impact of the FIRS Establishment Act on the system can be generally compartmentalised into six broad themes. These are legal status of the Federal Inland Revenue Service, governance, devolution of powers, autonomy, tax administration and creation of the Tax Appeal Tribunal.

Legal Status

Prior to 16 April 2007, the legal personality responsible for tax administration at the federal tier of Government was the Federal Board of Inland Revenue FBIR created by section 1(1) of the Companies Income Tax Act 1979. The FIRS was the operational arm of the Board. However, with the coming into force of the new law, FIRS is now a body corporate by virtue of section 1, FIRSEA. Under this regime, the Board is the governing organ of the FIRS with responsibility for overall supervision of the latter.¹⁷

Governance

Another major change in the wake of the FIRSEA is a separation between the Board and the operational management. In the past, the directors of the FIRS constituted operational management and at the same time doubled as members of the FBIR where they formed the majority. By virtue of the new law, only the Executive Chairman of the Service doubles as Chairman of the Board. No other member of the FIRS operational management apart from the chairman sits on the FIRS board.

Also, the FIRSEA introduces a balance of professional, institutional and geo-political interests. Consequently, it is mandatory for six persons each representing the six geo-political zones of the country to be appointed on the Board of the Service.¹⁸ This provision recognises that the mandate of the FIRS is better enhanced by securing adequate representation on its board in line with the federal character doctrine.

In the area of institutional representation, the change is the inclusion of the Governor of the Central Bank of Nigeria or his representative and the inclusion of the representative of the Attorney General of the Federation.¹⁹ The new law also provides that the Executive Chairman has to be appointed by the President of the Federal Republic of Nigeria subject to the confirmation of the Senate. Furthermore, unlike in the past when the term of office of the Chairman was not expressly provided for by law, the current Executive Chairman and other members of the Board, other than the ex-officio members are to hold office for a term of four years renewable only once.²⁰

Powers of the Board and the Service

The powers and functions of the Board and that of the Service are now clearly provided. The Board has powers to:

- a. Provide the general policy guidelines relating to the functions of the Service;
- b. Manage and superintend the policies of the Service on matters relating to the administration of the revenue assessment, collection and accounting system under this Act or any enactment or law;
- c. Review and approve the strategic plans of the Service;
- d. Employ and determine the terms and conditions of service including disciplinary measures of the employees of the Service;
- e. Stipulate remuneration, allowances, benefits and pensions of staff and employees in consultation with the National Salaries, Income and Wages Commission; and
- f. Do such other things which in its opinion are necessary to ensure the efficient performance of the functions of the Service under this Act.²¹

The functions of the Service which are contained under section 8 of the Act have introduced some novelties which have resulted in expanding the scope of authority of the FIRS beyond mere assessment, collection and accounting for federal taxes. The mandate of the Service now extends to powers to carry out ancillary services which owing to limitations in the laws, it could not carry out hitherto. Some of these functions include matters relating to the creation of a taxpayer database and enhanced access to information necessary for the build-up of the database. The law also confers oversight powers on the FIRS in relation to other agencies of Government which collect monies accruable to the Federation Account. The details of these functions include the powers to:

- a. Collect, recover and pay to the designated account, any tax under any provisions of this Act or any other enactment or law;
- b. To assess persons, including companies, enterprises and individuals chargeable with tax;

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- c. Assess, collect and enforce payment of taxes as may be due to the Government or any of its agencies;
 - d. Collaborate with the relevant ministries and agencies, review the tax regimes and promote the application of tax revenues to stimulate economic activities and development.
 - e. Collaborate with the relevant law enforcement agencies, carry out the examination and investigation of all cases of tax fraud or evasion with a view to enforcing compliance with the provisions of this Act;
 - f. Make, from time to time, a determination of the extent of financial loss and such other losses by government arising from tax fraud or evasion and such other losses (or revenue forgone) arising from tax waivers and other related matters;
 - g. Adopt measures to identify, trace, freeze, confiscate or seize proceeds derived from tax fraud or evasion;
 - h. Adopt measures which include compliance and regulatory actions, introduction and maintenance of investigative and control techniques on the detection and prevention of non-compliance;
 - i. Collaborate and facilitate rapid exchange of scientific and technical information with relevant national or international agencies or bodies on tax matters;
 - j. Undertake exchange of personnel or other experts with complementary agencies for purposes of comparative experience and capacity building;
 - k. Establish and maintain a system for monitoring international dynamics of taxation in order to identify suspicious transactions and the perpetrators and other persons involved;
 - l. Provide and maintain access to up to date and adequate data and information on all taxable persons, individuals, corporate bodies or any agency of government involved in the collection of revenue for the purpose of efficient, effective and correct tax administration and to prevent tax evasion or fraud;
 - m. Maintain database, statistics, records and reports on persons, organisations, proceeds, properties, documents or other items or assets relating to tax administration including matters relating to waivers, fraud or evasion;

- n. Undertake research and similar measures with a view to stimulating economic development and determining the manifestation, extent, magnitude and effects of tax fraud, evasion and other matters that affect tax administration and make recommendations to the government on appropriate intervention and preventive measures;
- o. Collate and continually review all policies of the Federal Government relating to taxation and revenue generation and undertake a systematic and progressive implementation of such policies;
- p. Liaise with the office of the Attorney-General of the Federation, all government security and law enforcement agencies and such other financial supervisory institutions in the enforcement and eradication of tax related offences;
- q. Issue taxpayer identification number to every taxable person in Nigeria in collaboration with States Boards of Internal Revenue and Local Government Councils;
- r. Carry out and sustain rigorous public awareness and enlightenment campaign on the benefits of tax compliance within and outside Nigeria;
- s. Carry out oversight functions over all taxes and levies accruable to the Government of the Federation and as it may be required, query, subpoena, sanction and reward any activities pertaining to the assessment, collection of and accounting for revenues accruable to the Federation; and
- t. Carry out such other activities as are necessary or expedient for the full discharge of all or any of the functions under this Act.

Autonomy

The FIRSEA grants the FIRS autonomy from the civil service bureaucracy. In substance, the autonomy granted was chiefly in the areas of funding and human resource management. In the area of funding, since 2005, the FIRS had benefitted from a cost of collection mechanism, the principle of which is rooted in section 165 of the 1999 Constitution.²² Section 15 of the FIRSEA in providing legal backing to the cost of collection mechanism for the FIRS has only re-echoed the spirit of section 165 of the Constitution. Section 15 of the FIRSEA provides that the funding of the Service from year to year shall be by a percentage

of all its non-oil collections, as may be approved by the National Assembly for that year. This arrangement was aimed at, and has indeed ensured improved and sustainable funding for the Service. In addition, while it was erroneously believed in some quarters that this arrangement would make the Service a law unto itself, the reality is different as the Service is still subject to the oversight supervision of both the Finance Minister and the National Assembly. The law requires the FIRS to prepare its estimates and submit to the National Assembly for appropriation from year to year. The two guiding provisions of the Act are sections 15 and 17. Section 15 provides that the Service shall “establish and maintain a fund which shall consist of and to which shall be credited a percentage as determined by the National Assembly of all non-oil and gas revenue collected by the Service in the preceding year which may be appropriated by the National Assembly for the Capital and Recurrent expenditures of the Service.” Section 17 provides that the Service “shall cause to be prepared, not later than the 30th day of September in each year, an estimate of its income and expenditure for the succeeding year for the purpose of appropriation by the National Assembly.”

The substance of the autonomy granted the Service by the Act in the area of Human Resource Management (HRM) is the power to recruit, reward, discipline and develop its own personnel. Section 7(1) (d) FIRSEA empowers the FIRS Board to “employ and determine the terms and conditions of service including disciplinary measures of the employees of the Service”. The implication of this is that HRM matters as it relates to the FIRS are no longer the responsibility of the Federal Civil Service Commission (FCSC). All staff of the erstwhile FBIR/FIRS who were mostly employed through the FCSC remained civil servants (with secured tenures in the civil service) until transferred to the new FIRS. All transfers to FIRS are to be based on criteria set by Board. Section 63(1) FIRSEA also guarantees that no one shall be offered a place in the new FIRS on terms less favourable than (s)he had in the old Service.

Tax Administration

Provisions have been introduced in the Act to give more efficacy to tax administration. These provisions include but are not limited to those discussed below.

- a. Tax refunds: Section 23 FIRSEA puts in place a new mechanism for tax refund in deserving cases. Unlike in the past where approved refunds were referred to the

Office of the Accountant-General of the Federation (OAGF) for settlement, the new Act now provides that the FIRS will determine who is eligible subject to the rules and conditions approved by the Board. Thereafter, refund will be made within 90 days of the decision of the Service, while the taxpayer is allowed to set-off the credit against future tax. For this purpose, the OAGF is mandated by the Act to authorise the opening of a dedicated account into which shall be paid monies for settling such refunds with the approval of the Federation Account Allocation Committee. The FIRS is also empowered to administer the dedicated account as well as to make estimates for refund for appropriation by the National Assembly from year to year.²³

- b. Deduction of tax at source by the Accountant General of the Federation: The Accountant General of the Federation is empowered to deduct at source from the budgetary allocation due to any Ministry, Department or Agency of government any tax not remitted and transfer such deduction to the Service within 30 days.²⁴
- c. Improved capability to access data: The FIRSEA gives the FIRS increased ability to access data in the possession of any agency whose operation relates to the revenues accruing to the Federation of Nigeria.²⁵
- d. Information to be delivered by bankers: The Act also places an obligation on banks to provide information to the FIRS on demand, including information relating to all transactions of N5,000,000.00 and above involving individuals; all transactions of N10,000,000.00 and above involving bodies corporate; and the names and addresses of all new customers not later than the 7th day of the succeeding month.²⁶
- e. Officers to be liable for acts of body corporate: Under the FIRSEA, offences by body corporate, firm or other association of individuals is now attributable to directors, managers, partners or officers of the companies concerned or any person concerned with the management of the affairs of the body corporate.²⁷ This is unlike in the past under section 41(5) of the Companies' Income Tax Act where FIRS was required to prove consent or connivance or neglect of these persons, these officers are now liable unless they can prove that they were unaware of the offending actions.
- f. Search and seizure procedures: Whereas under the old law, warrants could be issued under the hand of the Chairman of the FIRS, this is no longer the case. Under the

FIRSEA, warrants are to be issued by a judicial officer. A judicial officer under the Constitution means:

- i. the Chief Justice of Nigeria or a Justice of the Supreme Court;
 - ii. the President or Justice of the Court of Appeal;
 - iii. the Chief Judge or a Judge of the Federal High Court, or the High Court of the Federal Capital Territory, Abuja, or of a State;
 - iv. the Grand Kadi or Kadi of the Sharia Court of Appeal of the Federal Capital Territory, Abuja, or of a State;
 - v. President or Judge of the Customary Court of Appeal of the Federal Capital Territory, Abuja, or of a State
- g. Special Purpose Tax Officers: The Act has conferred the Service with powers to employ Special Purpose Tax Officers who shall have powers of police officers.²⁸
- h. Pre-emptory Investigations: Under S.35(3) of the Act, the FIRS has powers to cause investigation to be conducted into the properties of any taxable person if it appears to the Service that the lifestyle of the person and extent of the properties are not justified by his source of income.
- i. Penalties and Sanctions: These have now been standardised and harmonised in the FIRSEA. They have also been revised upwards (in most cases) to reflect current realities.

Dispute Resolution

The FIRSEA establishes the Tax Appeal Tribunal (TAT) to act as the first point of dispute resolution before resort to the regular courts.²⁹ The Tribunal has jurisdiction for all tax types unlike the defunct Body of Appeal Commissioners (BAC) established under the Companies Income Tax Act 1979 which had jurisdiction in respect of only income tax matters while disputes arising from value added tax were vested in the Value Added Tax Tribunals (VAT-T) established pursuant to section 2 and Schedule 2 of the Value Added Tax Act. The jurisdiction of the Tax Appeal Tribunal covers disputes arising from the operation of all federal tax laws. The Minister of Finance is empowered by the Act to specify the number of

zones for the Tribunal, as well as matters and places in respect of which the Tribunal may exercise jurisdiction.³⁰

2. The Companies Income Tax (Amendment) Act 2007

There were four areas which the bill to amend the Companies Income Tax Act was tailored to address from the viewpoint of the PTC. These areas were as follows:

- a. Taxation of insurance companies: Two provisions were included in the taxation of insurance companies. The first provision prohibits the carrying over of losses from one class of insurance business to another for companies that engage in more than one class of insurance. The second provision proposed that insurance companies shall be obliged to disclose all dealings with agents, loss adjusters and brokers to enable effective taxation of the agents, loss adjusters and brokers.
- b. Incentives for donations to tertiary and research institutions: The old provision granted incentives in respect of donations made by companies to tertiary institutions provided such donations were not of capital nature. In view of the increasing needs for funds by tertiary and research institutions in the face of dwindling government resources, there was a need to remove this restriction to allow companies make donations to deserving institutions irrespective of whether such donations are capital in nature.
- c. Offences and penalties: The principal Act was passed in 1979 and some of the penalties prescribed for offences were obsolete. There was a need to review the penalties to reflect current realities.
- d. Liability for directors and officers of the company: This provision was proposed to instil greater responsibility and accountability on officers of companies for the acts of those companies.

The Companies Income Tax (Amendment) Act 2007 (CITA 2007) was one of the four tax laws passed by the National Assembly in February 2007 and assented to by President Obasanjo on 16 April 2007. The changes introduced by the amendment Act are discussed below.

Removal of Ambiguities and Loopholes

The Act closed loopholes which hitherto allowed abuses in the existing law. For example companies engaged in more than one class of insurance are statutorily obliged to keep separate books of account to prevent them from carrying over losses from one class of insurance business to another.³¹ Second, disclosure of all dealings by insurance companies with agents, loss adjusters and brokers is compulsory for effective taxation of those agents.³² Third, Section 14 CITA 2007 amended section 16 of the old CITA by simplifying the language of the section to make it clearer by providing for a clearer separation of the treatment of life and non-life insurance business; and the calculation of the profits on which tax may be imposed. Fourth, Free Trade Zones were created primarily to promote export but it was discovered that companies in the zones which enjoy tax exemption plough a substantial part (if not all) of their production into the custom territory (Nigerian market). This practice resulted in an uneven playing field in their favour in comparison with other companies outside the zones that had to sell in the same Nigerian local market and yet enjoyed no tax-exempt status. Consequently, a caveat has been introduced in the 2007 amendment for companies that plough any of their production into the custom territory to pay tax on a proportionate basis for the sales done within the Nigerian market.

Repeal/Deletion of Spent and Unnecessary Provisions

Part I of the principal Act dealt with matters such as the establishment and constitution of the Federal Board of Inland Revenue, the Technical Committee of the Board, powers and duties of the Board, signification and execution of the powers of the Board, forms and services of notices. With the change in the legal status of the Service contemplated under the FIRS Establishment Act, it became necessary to repeal those provisions in CITA to avoid inconsistency in statutory frameworks. Of course the change does not affect efficacy or legitimacy of anything done or purported to have been done under the repealed provisions of the Act.³³ Second, the 2007 amendment removed from the ambit of rural investment allowance capital expenditure on the provision of facilities relating to telephones.³⁴ Third, provisions relating to investment tax credit for companies engaged wholly in the fabrication of spare parts, tools and equipment for local consumption or for the replacement of obsolete parts³⁵ have been removed.³⁶ Third, the provision relating to bonus for early filing of self assessment returns as provided in Section 56 of the principal Act was repealed because self

assessment return has been made compulsory.³⁷ Sections 53-57 of the principal Act which relates to the establishment of the Body of Appeal Commissioners were repealed following the setting up of the Tax Appeal Tribunal under Section 59 and the Fifth Schedule to the FIRSEA.

Self Assessment Returns and Provisional Accounts

The 2007 amendment makes it clear that every company is obligated to file tax returns yearly with or without notice from the FIRS by virtue of a new section 41. The amendment also introduces heavier penalties for late filing of returns.³⁸

Power to alter Rate of Tax etc

Section 79 of the amended Act vests the power to vary rates of taxes and capital allowances in the National Assembly as opposed to the position under the repealed Section 100 of the principal Act where the power was vested in the president; thus changing the position under the repealed Act.³⁹ This change is in consonance with the provisions of Sections 4 (1) and 59 (1) (b) of the 1999 Constitution.⁴⁰

Deductible Donations

The 2007 amendment increased the ceiling for donations to tertiary or research institutions that are tax deductible to 15 percent of total profit or 25 percent of the tax payable in the year of donation, whichever is higher.⁴¹ The limit under the repealed provision was an amount not exceeding 10% of total profit.⁴² Furthermore, the new provision allows donation of a capital nature unlike under the old provision where only revenue donations were allowed.

Limitations imposed on carrying losses forward

The amended Act removed the limitation of four years imposed for carrying forward losses under the regime of the principal Act.⁴³ Currently, taxpayers can carry losses forward indefinitely.⁴⁴

Penalties

Under the old Act, the levy payable as pre-operation levy was 500 naira for the first year and 400 naira for every subsequent year. The amendment prescribes the sum of 20,000 naira for

the first year and 25,000 naira for every subsequent year to be paid by any company that fails to commence business six months after incorporation. Second, the period within which taxes withheld should be remitted has been reduced from thirty to twenty one days and penalty for failure to remit deduction has been reduced from 20% to 10% of the amount in question so as to make the penalty more easily enforceable.⁴⁵ Third, the general penalty under Section 92 of the old Act has been increased from 200 naira to 200,000 naira. In addition the extra penalty for failure to furnish information, documents and records etc was increased from 40 naira to 2000 for each and every day such failure continues.

3. The Value Added Tax (Amendment) Act 2007

The PTC proposed six amendments to the bill to amend the Value Added Tax Act as discussed below.

- a. Increase in tax rate: There was a proposed increase of value added tax from five percent to 10 percent. In view of the anticipated revenue loss that the reduction in tax rate for the lower income brackets and the abolition of certain special purpose taxes would occasion, there was need to make up for the loss elsewhere. The reasoning was that being a consumption tax, the rate increase would only affect those with penchant for excessive or luxury consumption. Necessities like medical and pharmaceutical products, medical services, basic food, books and educational materials, baby products etc were to remain VAT-exempt.
- b. Deduction of unremitted taxes at source: A lot of institutions and agencies deduct taxes at source but do not remit to the appropriate tax offices. This new section gave legal authority to the Accountant General of the Federation to deduct at source such unremitted taxes.
- c. Deduction of VAT at source by companies in the oil and gas sector: This proposal was aimed at enhancing collections which were hitherto lost in that sector particularly because of the dominance of non residents in the sector. It was also believed that information from the new arrangement would be a major source of data for tax administration.

- d. VAT sharing formula: The derivation principle was introduced to ensure equity in the sharing formula. The Federation Account formula was introduced for uniformity of sharing formula for all revenues.
- e. Restriction on VAT exempt status of companies in the free trade zones: This was intended to check the massive abuses in the zones where some companies, in spite of enjoying the exemptions, were making 100% sales of their products in the custom territory (Nigeria), thereby creating unfair competition.
- f. Additional zero rated transactions: Donor funded projects, non oil exports and goods and services purchased by diplomats were proposed to be included on the zero rated list.

When it was finally passed and assented to in April 2007, the Value Added Tax (Amendment) Act 2007 addressed the changes in the following areas:

Removal of Inherent ambiguities in the Law

Two key changes have been made in this regard. First, clearer definitions have been given in section 42 for certain words in the law which hitherto were confusing in the day-to-day application of the law. The aforementioned section expands contents of the interpretation section when compared to the scope of the similar provision under the old law.⁴⁶ Second, the obligation of suppliers of goods and services regarding invoices to be issued is more clearly set out in section 11A of the amended Act. The supplier is now required to furnish the purchaser with an invoice showing the:

- a. Taxpayer's identification number;
- b. Name and address;
- c. VAT registration number;
- d. Date of supply;
- e. Name of purchaser or client;
- f. Gross amount of transaction;
- g. Tax charged and rate applied.

It also provides that tax invoice must be issued at the time of supply whether or not payment is made at the time.⁴⁷

Introduction of the Derivation Principle

Section 11 of the amendment Act introduces a proviso to the effect that the principle of derivation shall be taken into account in allocating the proceeds of value added tax to the Federal, States and and Local Governments.

Strengthening of Enforcement Provisions

Section 12 of the amended Act provides that VAT returns are now to be filed by the 21st day of the month following that in which the VATable transaction took place. This changes the position in operation under section 15 of the repealed provision which provided that a taxable person could render to the Board, on or before the 30th day of the month following that in which the purchase or supply was made, a return of all taxable goods and services purchased or supplied by him during the preceding month.

Creation of Agency Status

Two key changes have been made in this area. First, Section 10A now vests the FIRS with the power to direct companies in the oil and gas sector to deduct VAT at source and remit to the FIRS. Thus, such companies have become agents of the FIRS for VAT collection. This section expands the VAT regime in comparison to that under the old legislation.⁴⁸ Second, Section 12 now deems payment to duly authorised government agents as payment to the FIRS. No similar provision existed in the old law.

Zero Rating of Goods and Services

The amended Act introduces a Third Schedule to the Act containing zero rated goods and services. These are non-oil exports; goods and services purchased by diplomats; and goods and services purchased for use in humanitarian donor funded projects. Zero rated goods are different from exempt goods in the sense that while exempt goods do not feature within the VAT system at all, zero rated goods and services exist within the system but at “zero tax rate.”

4. The National Automotive Council (Amendment) Act 2007

The amendment is based on the proposal of the PTC. In line with the desire to streamline the number of taxes which do not yield much to government coffers but merely constitute

nuisance and a disincentive to business, the amendment abolished the automotive council levy of 2% of Cost Insurance and Freight, CIF, value of all imported vehicles. The amendment also provides that the Council should henceforth be funded through appropriation.

5. The Tertiary Education Trust Fund Act 2011

Education tax which is levied on the taxable income of all companies registered in Nigeria at the rate of two percent of assessable profits was regulated hitherto by the Education Tax Act Cap E4 Laws of the Federation of Nigeria 2004. The revenue therefrom was administered by the Education Fund to the benefit of educational institutions in the country in accordance with the formula prescribed in the Act. The PTC perceived education tax as an incidence of multiple taxation which should be abolished. The Committee therefore proposed the repeal of the Education Tax Act together with the Education Fund. In the place of the Education Fund, the Committee proposed the establishment of an Education Trust Fund to be financed from the following sources:

- a. 1% of the Consolidated Revenue Fund;
- b. budgetary allocation; and
- c. tax deductible donations from companies taxable under the Companies Income Tax Act and the Petroleum Profit Tax Act

The law was however, not passed as the PTC proposed. In May 2011, the National Assembly passed the Tertiary Education Trust Fund (Establishment, etc) Act 2011. The Act does not abolish education tax, rather, it creates the Tertiary Education Trust Fund as a body corporate to replace and take over the powers and duties of the defunct Education Fund. Second, proceeds from the tax are now applicable only to the development of tertiary education in Nigeria. This is a departure from the position under the Education Tax Act which apportioned only 50 percent of the funds to tertiary education; reserving 30 percent for primary education and 20 percent for secondary education. Third, the objectives to which the disbursement of the proceeds are to be applied have been modified to suit the purposes of tertiary education. The objectives are for the provision of:

- a. essential physical infrastructure for teaching and learning;
- b. instructional material and equipment;

- c. research and publication;
- d. academic staff training and development; and
- e. any other need which, in the opinion of the Board of Trustees, is critical and essential for the improvement of quality and maintenance of standards in higher educational institutions⁴⁹

Education tax is shared among universities, polytechnics and colleges of education on a ratio of 2:1:1.⁵⁰ In all other material respects, the Tertiary Education Fund functions much the same as the defunct Education Fund.

6. The Personal Income Tax (Amendment) Act 2011

The bill to amend the Personal Income Tax Act aimed at introducing new tax rates and allowances; and providing stiffer penalties for offences. The guiding principles behind the proposal by the PTC were:

- a. to draw more persons into the tax net with lower and simpler income tax rates and more efficient tax administration mechanism;
- b. to make taxation more equitable by lowering the tax burden on the lower income groups in line with the Millennium Development Goals of the United Nations while correspondingly increasing the tax liabilities of the affluent;
- c. to provide clearer definition of taxable income;
- d. to simplify the tax mechanism with fewer tax bands and clearer methods of calculating benefits in kind

The PTC reasoned that a new personal income tax law built on the principles above will promote voluntary compliance. Penalties were also to be reviewed to reflect current realities.

The Personal Income Tax (Amendment) Act was passed by the House of Representatives and the Senate respectively on 25 May and 1 June 2011 while Presidential Assent was given on 14 June 2011. The Act has introduced the following changes to the administration of personal income:

Chargeable Income and Personal Relief

Sections 3 and 33 of the principal Act relating respectively to chargeable income and personal relief have been amended. In respect to chargeable income, pension has been removed as taxable income in line with the provisions of the Pension Reform Act.⁵¹ The amendment further clarifies that temporary employees are also taxable subjects under the Act.⁵² Regarding personal reliefs, Section 5 of the amendment replaces the personal relief of 5000 naira plus 20 percent of earned income that was available under Section 33 (1) of the principal Act with the Consolidated Relief Allowance, CRA. The CRA is to be computed at the rate of 200,000 naira or one percent of gross income, whichever is higher, plus 20 percent of gross income. This amendment has the effect of increasing the disposal income of taxpayers.

Section 4 of the amendment Act modifies the conditions under which gains or profits derived from employment duties in Nigeria will be exempt from personal income tax as contained in Section 10 (1) (a) (i) to (iii). First, in addition to performing the duties on behalf of a non resident employer, the Act now requires that remuneration of the employee must not be “borne by a fixed base of the employer in Nigeria.” Second, the number of days spent on annual leave or temporary leave of absence is now to be factored in the computation of days spent by a non resident in determining if the overall period of stay in Nigeria amounts to 183 days. Third, the country in which the employee is liable to tax must now be one that operates an avoidance of double taxation agreement with Nigeria, for such an employee to be exempt from tax under the Act. Furthermore, paragraph (b) of subsection (1) of Section 10 of the principal Act has been replaced with a new paragraph which deems income or gain of employment to be derived from Nigeria if “the employer is in Nigeria, or has a fixed base in Nigeria.” This new paragraph therefore, expands the definition of an employer to include a non resident with a fixed base in Nigeria. In the light of the foregoing amendments, subsection (5) of Section 10 of the principal Act became redundant and has been deleted from the statute. The deleted subsection read that “subject to the foregoing provisions of this section, the gain or profit from any employment, the duties of which are mainly performed outside Nigeria, shall be deemed to be derived from Nigeria to the extent that those duties are performed in Nigeria.”

Presumptive Tax

A new subsection (6) has been added to Section 36 of the principal Act empowering the Finance Minister under a “presumptive tax regime” to issue regulations for the purposes of assessing the income of taxpayers who either fail to keep records or whose records are inadequate to enable a proper assessment of income.⁵³

Minimum Tax

The rate of minimum tax under Section 37 of the principal Act has been increased from 0.5 percent to one percent of gross income.⁵⁴

Double Taxation Agreement

A new subsection (1) has been introduced by the amendment Act to replace subsection (1) of Section 38 of the principal Act. Under the old subsection, once the Finance Minister issued an order to the effect that “arrangements” were concluded with the government of a named country in relation to offering relief from double taxation, specifying that it was expedient for the said “arrangements” to have effect, the “arrangements” became effective notwithstanding anything contained in any enactment. However, by Section 8 (ii) of the 2011 amendment Act, the power to enter into avoidance of double taxation agreements with foreign countries is now vested in the Government of the Federal Republic of Nigeria and the agreement shall have effect only after ratification of same by the National Assembly. Further, “agreement” now replaces “arrangements” wherever the word appears in the section.

Service of Notice of Assessment

Service of notice of assessment can, in addition to registered post as contained in Section 57 of the principal Act, be made by either courier or electronic mail.⁵⁵

Resolution of Disputes

Resolution of disputes arising from the operation of the Personal Income Tax Act is now vested in the Tax Appeal Tribunal rather than the erstwhile Body of Appeal Commissioners established under Section 60 of the principal Act.⁵⁶ In consequence, Sections 61 to 67 of

the principal Act relating to the procedure of the Body of Appeal Commissioners have also been repealed by Section 15 of the amendment Act.

Removal of Ambiguities

Section 74 of the principal Act which relates to penalties for failure to deduct and remit withholding tax has been replaced with a new provision that introduces amendments in three respects. First, a person who fails to deduct withholding tax on a qualifying transaction is still liable to 10 percent of the tax not deducted or remitted but this liability is no longer tied to the prior conviction of the taxpayer. Second, interest for non remittance or late remittance of withholding tax is now based on the prevailing Central Bank of Nigeria monetary policy rate. This is more easily determinable than the “prevailing commercial rate” under the old section. Third, the Accountant General of the Federation is now empowered to recover at source unremitted taxes owed by Ministries, Departments and Agencies (MDAs) from the budgetary allocation due to such MDAs.⁵⁷ Also, interest for late payment of personal income tax will now be computed on annual basis as opposed to the simple interest basis that previously applied.⁵⁸

Pay-As-You-Earn (PAYE)

Section 20 of the amendment Act has introduced three new subsections (2) to (4) to section 81 of the principal Act, and renumbered the old subsections (2) to (6) as subsections (5) to (9) accordingly. The substance of the three new subsections is that every employer is required to file a return with the relevant tax authority not later than 31st January of every year, all emoluments paid to its employees in the preceding year. Penalty for non compliance is 500,000 naira in cases of corporate employers and 50,000 naira in cases of individual employers.

Tax Clearance Certificate (TCC)

Section 21 of the amendment has introduced new requirements in respect of Tax Clearance Certificate, TCC. First, in addition to the information required by section 85 (3) taxpayer identification number is now also to be stated on the TCC. Second, in addition to the transactions listed under subsection (4) of section 85, a TCC is also now required for change of ownership of vehicle by the vendor; application for plot of land; and any other transaction

as may be determined from time to time. Third, the penalty for obtaining a TCC through misrepresentation or fraud has been increased from 500 naira to 500,000 naira. Finally, a new subsection (9) has been added to section 85. The new subsection provides that any MDA or corporation which being obligated by the provisions of section 85 (2) to demand a TCC in respect of any of the transactions listed in subsection (4) fail to so demand is guilty of an offence and punishable on conviction to a fine of 5000,000 naira or three years imprisonment or both.

States Board of Internal Revenue

The appointment of Secretary to the Joint Tax Board, hitherto vested in the Federal Civil Service Commission by section 86 (3) of the principal Act is now, by virtue of section 22 (c), vested in the Joint Tax Board itself. Also, any director outside the State Service can be appointed as a member of a State Board of Internal Revenue established under section 87 of the Act. Hitherto, only directors within the State Service could be appointed. Also, the “three other persons” to be nominated on personal merit is now the prerogative of the State Governor and no longer the Finance Commissioner; and the three must be selected to represent each senatorial district in the State.⁵⁹ Finally, section 24 of the amendment Act introduces a proviso to section 88 (1) (b) which requires that States Boards of Internal Revenue shall now be funded by cost of collection mechanism of not less than five percent.

Stiffer Penalties

The threshold for penalties has been increased throughout the Act. Penalties for failure to keep proper books of accounts have been included in the body of section 52 of the principal Act to apply to taxpayers other than those in salary employment. The penalty is 50,000 naira for individuals and 500,000 naira for corporations.⁶⁰

The general penalty in section 94 (1) has been increased from 200 naira to 5000 naira; and in the case of failure to keep records or furnish required returns or information, the penalty has been increased from 40 naira to 100 naira for each day the failure subsists. Second, the penalty for making an incorrect return is now 20,000 naira fine instead of 10 percent of the correct tax as was originally provided under Section 95 of the Act. Third, the penalty for an offender under section 96 has been increased from 5000 naira to 50,000 naira in the case of an individual or 500,000 naira in the case of a corporation. The section relates to an offender

who for the purpose of obtaining a set-off or relief makes a false representation in a return, statement or account as well as an abettor who aids in the above offence. Finally, the penalty for offences against an official who misuses his position or an unauthorised person who impersonates a tax official under section 97 of the principal Act has been increased from 1000 naira to 10,000 naira.⁶¹

Power to Distrain

Section 29 of the amendment Act provides for a new section 104 to replace the previous section under the principal Act. The section relates to powers conferred on tax authorities to distrain the property of a taxpayer who refuses to pay tax, after the assessment has become final and conclusive and a demand notice has been served but the taxpayer still defaults. The new section introduces three new dimensions to the power to distrain that were not contained under the old provision. First, the power to levy distress is now exercisable only after an *ex parte* application has been made and granted by a Judge of the High Court sitting in chambers. Second, the tax authority is now obliged to refund to the taxpayer any excess monies realised from the sale of distressed property after the tax owed and incidental costs are recovered. This refund, where applicable, is to be made 30 days after the sale and where the taxpayer cannot be traced, the excess is to be refunded to the court that granted the order to distrain. Under the old provision, refund of excess money was based on demand made by the taxpayer within one year from the date of sale of the distrained property. Finally, the new provision specifically confers powers on the tax authority to levy the property of a recalcitrant taxpayer wherever it may be found in Nigeria.

Power to Make Regulations

A new section 106A has been introduced immediately after section 106 of the principal Act. The new section empowers the Finance Minister, on the recommendation of the Joint Tax Board, to make regulations for giving effect to the provisions of the Personal Income Tax Act. Second, it empowers the National Assembly, on the proposal by the President, to impose, increase, reduce, withdraw or cancel any rate of tax, duty or fee chargeable under the Act.⁶²

Meaning of “Itinerant Worker”

The meaning of “itinerant worker” under section 108 of the principal Act has been redefined.⁶³ The old definition referred to “an individual who works at any time during a year of assessment (other than as a member of the armed forces) for a daily wage or customarily earns his livelihood in more than one place in Nigeria and whose total income does not exceed N600.” The new provision makes away with the 600 naira threshold but introduces another threshold that the person must have worked in more than one State for a minimum of 20 days in at least three months of every assessment year.

First Schedule: Determination of Residence

Paragraph 1 of the First Schedule to the Act which has to do with determination of residence has been amended by the addition of a new subparagraph which states that “in the case of an individual who works in the branch office or operational site of a company or other body corporate, the place at which the branch office or operational site is situate: Provided that operational site shall include Oil Terminals, Oil Platforms, Flow Stations, Factories, Quarries, Construction Site with minimum of 50 workers, etc.”⁶⁴

Third Schedule: Income Exempted

Paragraphs 2 and 3 of the Third Schedule to the principal Act which had to do with incomes exempted have been deleted. The implication is that the official emoluments of the President, Vice President, Governors and Deputy Governors which were exempted under those paragraphs are now taxable. Furthermore, Paragraph 7 of the principal Act has been replaced with a new paragraph. The old paragraph exempted interest on loans granted after 1st January 1997 to a person engaged in agricultural trade or business; fabrication of any local plant or machinery; or as working capital for cottage industry established under the Family Economic Advancement Programme; provided the moratorium was not less than 18 months and the rate of interest was not more than base lending rate at the time the loan was granted. The new provision now exempts income earned from bonds issued by any tier of government and corporations as well as interest earned by holders bonds and short term securities.⁶⁵

Sixth Schedule: Income Tax Table

Finally, the amendment Act has provided for a new income tax table to replace the old table contained in the Sixth Schedule to the principal Act. Under the new table, the first 300,000 naira is taxable at seven percent; the next 300,000 naira at 11 percent; the next 500,000 naira at 15 percent; the next 500,000 naira at 19 percent; the next 1,600,000 naira at 21 percent and above 3,200,000 naira at 24 percent. The new Schedule specifies the National Housing Fund contribution; the National Health Insurance Scheme contribution; Life Assurance Premium; the National Pension Scheme; and gratuities are tax exempt deductions.

OUTSTANDING BILLS

1. The Customs, Excise Tariff, Etc (Consolidation) Bill

The rationale behind the Customs, Excise Tariff, etc (Consolidation) Bill was similar to that behind the amendment of the National Automotive Council Act namely; the streamlining of taxes and encouragement of voluntary compliance within the context of a few high yielding tax types. In this instance, the PTC proposed the abolition of sugar levy under the Customs, Excise Tariff, etc Bill. Although it was one of the nine bills sent to the National Assembly in November 2005, the amendment has not been passed by the National Assembly yet.

2. The National Sugar Development Council (Amendment) Bill

The proposed amendment to the National Sugar Development Council Act was germane in the light of the Customs, Excise Tariff, Etc (Consolidation) Bill. In addition to streamlining the number of taxes and levies, the proposed amendment was consistent with the abolition of sugar levy contained in the Customs, Excise Tariff, Etc (Consolidation) Bill.

3. The Petroleum Profits Tax (Amendment) Bill/Petroleum Industry Bill

The PTC identified four focal areas that required amendment in the Petroleum Profits Tax Act and also provided justification for the proposed amendments.

- a. Tax incentives: The Committee felt the need for a tidier procedure for granting tax incentives in the petroleum industry while making room for the flexibility and uncertainties of the sector.

- b. Incentives for donations to tertiary and research institutions: Just as in the case of the Companies Income Tax (Amendment) Act, there was the need to remove the restriction on capital donations to educational and research institutions by companies in the petroleum sector.
- c. Provision of information by companies in the oil and gas sector: The existing provisions in the law were not exhaustive and clear and had hampered effective taxation of companies in the upstream sector. There was a need to address this loophole and ensure that the information provided by the Nigerian National Petroleum Corporation and other companies in the oil and gas sector on joint ventures, production sharing contracts or other transactions is adequate to ensure effective taxation of companies in the upstream sector.
- d. Offences and Penalties: Penalties were to be reviewed upwards to reflect current realities as well as conform to what obtain for similar offences in other tax laws.

At the time the nine bills including the bill to amend the Petroleum Profits Tax Act got to the National Assembly, there was another bill titled the Petroleum Industry Bill (PIB) which was sponsored at the behest of private industry players in the petroleum sector in order to address the myriad of problems associated with the sector. During public hearings on Petroleum Profits Tax Amendment Bill, it became evident that in order to provide a better regulatory framework for the oil and gas industry, there was a need to bring all legislations dealing with the sector under one roof. Consequently, the proposed amendments to the Petroleum Profits Tax Act were collapsed into the Petroleum Industry Bill. The PIB is therefore, an amalgam of the original provisions as contained under that name as well as the proposed amendments to the PPTA. The law seeks to replace the existing myriad of legislative and administrative instruments governing the petroleum industry. When and if eventually passed, it will enthrone a system that is regimented by an omnibus legislation that establishes clear rules, procedures for the administration of the petroleum industry in Nigeria. Sections 431–509 of the PIB deal with the following fiscal provisions:

- a. Companies income taxation: All companies (including the Nigerian National Petroleum Corporation, NNPC)) engaged in upstream petroleum operation shall pay company income tax. This has the effect of changing the current regime under which upstream operators are only liable to CITA in respect of their gas utilisation.

- b. Rents: The PIB fixes rent payable for the Petroleum Exploration Licenses (PEL) at a rate of 10 USD/square kilometer per year; the rent payable for the Petroleum Prospecting Licenses (PPL) at a rate of 100 USD/square kilometre for the initial 2 years; 300 USD/square kilometre for the next two years 500 USD yearly thereafter. The rent payable for the Petroleum Mining License (PML) is fixed at a rate of 1,000 USD yearly.
- c. Nigerian Hydrocarbon Tax: This is a simplified version of the Petroleum Profits Tax Act and it is planned to replace the latter. It provides for less deductible items compared to the latter. It brings under its purview companies engaged in upstream operations.

Ongoing Initiatives

One of the initiatives involves the simplification of the language of tax statutes. The objective of simplifying the language used in tax legislations is to make tax laws easily understandable by taxpayers without the need to engage expert opinion thereby reducing cost of compliance. The initiative is being led by the Tax Policy Department of the Service with assistance from the International Monetary Fund. A compilation of all tax laws and their review is being done currently towards redrafting all the laws in plain, simple English to enhance ease of understanding. The second initiative involves the separation of statutes establishing tax authorities from statutes imposing tax liability and sanctions. This is consistent with global best practice. The Tax Policy Department and the World Bank/IMF are working together with assistance from UNDP and OECD on this project.

References

- 1 These are listed in the Taxes and Levies (Approved List for Collection) Act Cap T LFN 2004. The Act originally passed as a military decree No. 21 of 1998, is now deemed to be an Act of the National Assembly by virtue of the provision of section 315 of the 1999 Constitution.
- 2 Example of such decrees are Finance (Miscellaneous Taxation Provisions) Decrees Nos. 21 and 63 of 1991; 30, 31 and 32 of 1996; 18, 19, 21 and 40 of 1998.
- 3 Cap. P13 LFN 2004.
- 4 Cap. 60 LFN 1990.
- 5 Cap. 42 LFN 1990.
- 6 Cap. E4 LFN 2004.
- 7 Cap. P8 LFN 2004.
- 8 Cap. 411 LFN 1990.
- 9 Cap. V1 LFN 2004.
- 10 Cap. 84 LFN 1990.
- 11 Cap. P10 LFN 2004.
- 12 See Nigerian Tax Reform in 2003 and Beyond being the Main Report of the Study Group on the Nigerian Tax System, July 2003.
- 13 See the amendments proposed by the SG and the WG's comment in relation to the former in FIRS,

Presentation of Views of Tax Reform for Consideration by the Federal Executive Council:
Appendices 1– 10

(October 18, 2004)
- 14 Other recommendations focused on the need for a well documented national tax policy, taxation and federalism, etc. See generally, FIRS, Tax Reform Recommendations for Consideration by the Federal Executive Council (October 15, 2004)

15 Partnering for Sustainable Development (Nigeria: FIRS, 2010) 30

16 (2002) 14 NWLR (Part 778) 46

17 See section 3, FIRSEA.

18 Ibid.

19 Ibid.

20 See section 4, FIRSEA.

21 Section 7, *ibid.*

22 Section 165 of the Constitution stipulates that every tier of government should proportionately be responsible for the cost of generating its share of revenue. It was inserted in the Constitution because the framers of the Constitution anticipated that cost must necessarily be incurred before revenue can be generated. In addition, government reserves the right to cede that cost so recovered to the agencies which incur those costs.

Again, reference is often made to the Supreme Court decision in the case of *A.G. of the Federation v A.G. of Abia State* (No.2) [2002] 14 NWLR (Pt 778) 46; popularly referred to as the

Resource Control case as a basis for impugning the legality of the principle. However, it is imperative to state that both scenarios are distinguishable. In the case under consideration, the court voided first line allocation to non-revenue generating agencies. The cash call mechanism through which the NNPC funds the Joint Venture Operations till date is based on the cost of collection principle and is founded on the same provision of the Constitution. Similarly, collections made by the FIRS is “revenue” and by extension funds destined for the Federation Account after the cost of collection has been deducted.

23 See generally, section 23, FIRSEA.

24 *Ibid* section 24.

25 Section 8 (1), FIRSEA.

26 Section 28, *ibid.*

27 Section 49, *ibid.*

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- 28 See sections 35(1) and 69.
- 29 Section 59, FIRSEA.
- 30 See Paragraph 2, Fifth Schedule, FIRSEA.
- 31 See section 14(6) Companies Income Tax (Amendment) Act 2007.
- 32 See section 14(11), *ibid*.
- 33 See section 83, CITA 2007.
- 34 See section 28B, *ibid*. Compare with the provision of section 34 CITA.
- 35 This was provided for by sections 38 and 41, CITA.
- 36 See sections 28F and 30, CITA 2007.
- 37 See section 41, CITA 2007.
- 38 See section 41(3), *ibid*.
- 39 The position under section 100 of the repealed Act was that the President may, by order, revoke or vary for any year the rate of taxes or capital allowances.
- 40 This section provides guidelines for the exercise of federal legislative powers in relation to the passage of money bills
- 41 See section 21A CITA 2007.
- 42 See section 25(3) CITA. It should be noted that this limitation is found its way into the extant legislation as section 21(3). However, section 21A acts as an amendment.
- 43 See section 31(2)(a)(iii) CITA.
- 44 Section 27 CITA 2007 is *pari materia* to section 31 CITA save for the fact that it is devoid of the provision in the latter limiting the period for which loss can be carried over to four years.
- 45 See section 64 CITA 2007.
- 46 Value Added Tax Act Cap. V1 LFN 2004. Hereafter referred to as VATA.
- 47 Section 11A(2) VATA 2007.
- 48 See section 13 VATA.
- 49 Section 7 (1) Tertiary Education Trust Fund (Establishment, etc) Act 2011

- 50 Ibid Section 7 (3)
- 51 Cap P4 Laws of the Federation of Nigeria 200452 Section 3 Personal Income Tax (Amendment) Act 2011
- 53 Ibid section 6
- 54 Ibid Section 7
- 55 Ibid Section 13
- 56 Ibid Section 14
- 57 Ibid Section 18
- 58 Ibid section 19
- 59 Ibid Section 23
- 60 Ibid Section 12
- 61 Ibid Sections 25-28
- 62 Ibid Section 30
- 63 Ibid Section 31
- 64 Ibid Section 32
- 65 Ibid Section 33

CHAPTER SIX

JUDICIAL PROCESSES

ENGAGING THE JUDICIARY

Section 6 of the Constitution of the Federal Republic of Nigeria (as amended) vests the judicial powers of the State in the courts. The Constitution further establishes superior courts of record which include the Supreme Court; the Court of Appeal; the Federal High Court; States' High Courts; High Court of the Federal Capital Territory; Customary Courts of Appeal of the States and that of the Federal Capital Territory; and Sharia Court of Appeal of the States and that of the Federal Capital Territory.

The creation of the above courts by the Constitution does not preclude the establishment of other courts or tribunals by the Federal or State Legislature where the need arises.¹ This provision which is similar to Section 6 (4) of the 1979 Constitution is the basis for establishing special courts or tribunals where the existing court system is deemed inadequate, in any manner, in addressing a need considered special. The creation of the Body of Appeal Commissioners under the Companies Income Tax Act 1961 and its successor legislation, the Companies Income Tax Act 1979, as well as the creation of the Value Added Tax Tribunal under the Value Added Tax Act 1993 were all for the purpose of providing a dispute resolution mechanism for any party aggrieved by any outcome in the course of tax administration. The Tribunals were not then, or are they now meant to usurp the traditional role of the judiciary as the custodian of the judicial powers of Nigeria, but are only meant to serve as a first point of call for any aggrieved party.

Previous to the establishment of the Tax Appeal Tribunal, judicial processes involving the Federal Inland Revenue Service and taxpayers were set in motion through appeals to the Body of Appeal Commissioners, BAC in the case of income tax or the Value Added Tax Tribunal, VATT in the case of value added tax. The Tax Appeal Tribunal which has come to

replace the BAC and the VAT is only the first step in the tax dispute resolution mechanism. Either the Federal Inland Revenue Service or a taxpayer may be aggrieved by the other party's conduct in the course of tax administration and approach the Tribunal to seek remedy to the grievance.² The FIRS Act gives a right of further appeal from the decision of the Tax Appeal Tribunal to the Federal High Court.³ The Federal High Court is therefore, the first court of record in the tax dispute resolution process. The other courts that form part of the process at higher levels of appeal are the Court of Appeal and the Supreme.

The Federal High Court

The Federal High Court was originally established as the Federal Revenue Court by decree 13 of 1973 and vested with jurisdiction over all matters pertaining to revenue of the federal government. Although the decree was later repealed and the court re-styled the Federal High Court by the 1979 Constitution, it still exercises jurisdiction, to the exclusion of all other courts, over matters of federal revenue. The Federal High Court is currently established by section 249 of the Constitution. It is constituted by a Chief Judge of the court and such other number of judges as may be prescribed by an Act of the National Assembly.⁴ By virtue of the provisions of Section 251 of the Constitution of Nigeria (as amended) the Federal High Court is conferred with exclusive civil jurisdiction in among other matters, those:

- a. relating to the revenue of the Government of the Federation in which the said government or any organ thereof or a person suing or being sued on behalf of the said government is a party;
- b. connected with or pertaining to taxation of companies and other bodies established or carrying on business in Nigeria and all other persons to federal taxation;⁵
- c. connected or pertaining to customs and excise duties, including any claim by or against the Nigeria Customs Service or any member or officer thereof, arising from the performance of any duty imposed under any regulation relating to customs and excise duties and export duties;

Paragraph 17 of the Fifth Schedule to the FIRS Establishment Act which provides that appeals from decisions of the Tax Appeal Tribunal shall be to the Federal High is therefore, consistent with the provisions of Section 251 of the Constitution.

The Court of Appeal

The Court of Appeal is established by section 237 (1) of the Constitution as an intermediary court between the other courts of record and the Supreme Court. The only original jurisdiction conferred on the Court of Appeal, which is to the exclusion of any other court is in the determination of questions relating to the election to the office of the President or Vice President; and the term of office and vacancy or otherwise of the office of President or Vice President.⁶ Paragraph 23 of the Fifth Schedule to the FIRS Establishment Act provides that further appeals from the decision of the Federal High Court concerning the outcome of the initial decision by the Tax Appeal Tribunal shall be to the Court of Appeal. This provision is in tandem with section 240 which provides that all appeals from the Federal High Court, High Courts of the States and that of the Federal Capital Territory, Customary Court of Appeal of the States and that of the Federal Capital Territory, Sharia Court of Appeal of the States and that of the Federal Capital Territory, Court Martial or other tribunal as may be prescribed by an Act of the National Assembly shall be to the Court of Appeal.

The Supreme Court

The Supreme Court of Nigeria is established by section 230(1) of the Constitution. It has to the exclusion of any other court, appellate jurisdiction over matters decided by the Court of Appeal and its decision is final. The court equally has exclusive original jurisdiction in disputes between the Federal Government and the States and between the States inter se.

THE TAX APPEAL TRIBUNAL

The Federal Inland Revenue Service (Establishment) Act 2007 establishes the Tax Appeal Tribunal under section 59 to settle disputes arising from the operations of the Act as well as the administration of the legislations listed in the First Schedule to the Act. The legislations listed in the First Schedule are:

- a. The Companies Income Tax Act;

- b. the Personal Income Tax Act;
- c. the Petroleum Profits Tax Act;
- d. the Capital Gains Tax Act;
- e. the Stamp Duties Act;
- f. the Value Added Tax Act;
- g. the Taxes and Levies (Approved List for Collection) Act;
- h. all regulations, proclamation, government notices or rules issued in terms of the legislations;
- i. any law for the assessment, collection and accounting of revenue accruable to the Federal Government as may be passed by the National Assembly;
- j. laws imposing taxes and levies within the Federal Capital Territory;
- k. laws imposing taxes, fees and levies collected by other government agencies and companies including signature bonus, pipeline fees, penalty for gas flared, depot levies and licences;
- l. fees for Oil Exploration Licence, Oil Mining Licence, Oil Production Licence, royalties, rents, fees for licences to operate drilling rigs, fees for oil pipeline licences, haulage fees and all such fees prevalent in the oil industry but not limited to those listed above

Further to Section 59 of the Act, the Fifth Schedule to the Act makes comprehensive provisions regarding the establishment of zones for the Tribunal, composition of the Tribunal, qualification for appointment as Commissioner, appointment of Tribunal Secretaries and other staff as well as sundry matters relating to the efficient functioning of the Tribunal. The Fifth Schedule also vests in the Minister of Finance the responsibility of specifying the number of zones, matters and places in relation to which the TAT may exercise jurisdiction.⁷ By Gazette No. 77 Vol. 96 of December 2, 2009, the Finance Minister, Olusegun Aganga

specified eight locations for the Tribunal to include one in each of the six geo-political zones of Nigeria as well as Abuja and Lagos.

The Minister further inaugurated the Tribunal on February 5, 2010. The membership of the Tribunal, 40 in all, comprises of retired jurists, legal practitioners, accountants and tax professionals. Each zone is comprised of a chairman and four commissioners. In order to enhance competence in the operations of the Tribunal, the eight Tribunal Chairmen were sent to India after inauguration to under study the practice and procedure of tax appeals with the aim of drawing on best practices to be replicated in the country. The Tribunal Chairmen, upon their return, inaugurated a committee comprising of all eight chairmen and four commissioners to draft rules of procedure for the Tribunal. The Tax Appeal Tribunal (Procedure) Rules, 2010 (hereafter referred to as the TAT Rules) were gazetted by the Minister of Finance pursuant to the provisions of paragraph 21 of the Fifth Schedule to FIRSEA with effect from 1 September 2010. Support staffs for the eight Tribunals were also recruited and an induction programme organised for them to equip them with the necessary competence to carry out their roles. With all these preparations in place, all eight zones of the TAT commenced sitting in the first quarter of 2011. The cases before the Tribunal include new and old cases that were initially pending before the Body of Appeal Commissioners and the Value Added Tax Tribunal. The tables below show the cases being handled by the various zones of the Tribunal as at March 30 2011.⁸

S/N	Parties/Suit No	Background/Claim	Remark
1	FIRS v. Red Sear Ltd.	The company failed to remit VAT to FIRS amounting to \$105,817.78 between 1998 – 1999. FIRS sued the company claiming the above including penalties and interests. The matter is now before the TAT Benin	Adjourned to 13 th April 2011
2	FIRS v. Red Sear Ltd.	The company failed to remit VAT to FIRS amounting to N1,433,709.61k between January – December 2001. FIRS sued the company claiming the above including penalties and interests. The matter is now before the TAT Benin	Adjourned to 12 th April 2011
3	FIRS v. Nigerian Services & Supplies Co. Ltd	The company failed to remit VAT to FIRS amounting to N96,761,822.97k between January – December 2001. FIRS sued the company claiming the above including penalties and interests. The matter is now before the TAT Benin	The company failed to remit VAT to FIRS amounting to N96,761,822.97k between January – December 2001. FIRS sued the company claiming the above including penalties and interests. The matter is now before the TAT Benin
4	R & B Falcon Exploration Co. v. FIRS TAT/ABJ/APP/004/2005	The respondent served on the appellant Notice of Additional Tax Liabilities on Recharges for 1999, 2000 and 2001 YOA The appellant objected to the additional assessment and served a notice of objection against the additional assessment. The respondent refused to amend the said assessment. It was against this background that the appellant appealed	Adjourned to April 18, 2011
5	Seacor Marine (Nig) Inc. v. FBIR TAT/ABJ/APP/005/2005	The respondent refused to amend or revise the Additional Assessment of CIT for the period of 1996-2003 YOA consequent upon which the appellant brought a Notice of Appeal. The appellant's contention is that the additional liabilities are add-back of recharges	Adjourned to April 19 - 20, 2011

S/N	Parties/Suit No	Background/Claim	Remark
6	TSKJ II Construoes Internacionais Sociedade Unipessoal Lda v. FIRS	FIRS refused to amend/ revise Assessment for 1997-2002 tax years insisting that the operational expenses of the local company of the non resident company were part of the Turnover and therefore not allowable deductions in computing the assessable tax for the purpose of Company Income Tax	Adjourned to April 19, 2011
	TAT/ABJ/APP/ 06/2006	The appeal is against FIRS Notice of Refusal to amend assessment for year 1997 – 2002 years of assessment	
7	Addax Petroleum Dev. Nig. Ltd. v. FIRS	The respondent refused to amend WHT, PPT and Education Tax Assessment for 2002-2004 YOA	Matter transferred to TAT Lagos
	TAT/ABJ/APP/ 007/2007	The company applied for the additional assessment served on it by FIRS to be set aside on the ground that the company is not liable to tax in Nigeria at all as it does not have a fixed base of business in Nigeria. The respondent refused hence this appeal	
8	Addax Petroleum Dev. Nig. Ltd. v. FIRS	The respondent raised assessment and served on the appellant in respect of its CIT, WHT, and PPT & Education Tax for 2002 – 2004 years of assessment. The appellant objected, but the respondent refused to amend the Assessment, hence this appeal	Transferred to TAT Lagos
	TAT/ABJ/APP/ 008/2007		
9	Oando Plc v. FIRS	Respondent refused to amend the appellant's assessment for the year 2003. The appellant claimed that the loan which it obtained from a bank was used to replenish its working capital and is therefore tax deductible. However the respondent took cognisance of and relied on the documentary evidence available which showed that the said loan was used for the acquisition of 60% interest in Agip Plc and concluded that the loan was not tax deductible	Adjourned to April 19, 2011
	TAT/ABJ/APP/ 009/2007		
10	Shell Petroleum Dev. Co. Nig Ltd. (SPDC) v. FIRS	FIRS refused to amend additional Education Tax raised against the appellant for 2005-2006 years of assessment hence this appeal	Adjourned to April 25, 2011
	TAT/ABJ/APP/ 011/2009		
11	Shell Petroleum Dev. Co. Nig Ltd. (SPDC) v. FIRS	FIRS refused to amend additional PPT raised against the applicant for 2006-2008 years of assessment	Awaiting issuance of hearing notice
	TAT/ABJ/APP/ 012/2009		

S/N	Parties/Suit No	Background/Claim	Remark
12	Chevron Nig. Ltd. v. FIRS TAT/ABJ/APP/ 014/2009	The respondent served a Notice of Refusal to amend additional PPT assessment for the period of 1998 to 2004 years of assessment. The appellant had objected to the assessment on the ground that it was entitled to Petroleum Investment allowance (PIA) of 10% The appellant by a Notice of Appeal sought an order to the effect that the FIRS be estopped from denying that the appellant's are entitled to PIA at the rate of 10% in respect of Capital Investments in EGP3 as approved by Government	Adjourned to May 16, 2011 for continuation of hearing
13	Chevron Nig Ltd. v. FIRS TAT/ABJ/APP/ 013/2009	The respondent served a Notice of Refusal to amend additional PPT assessment for the period of 2005 to 2008 years of assessment. The appellant had objected to the assessment on the ground that it was entitled to Petroleum Investment allowance (PIA) of 10% The appellant by a Notice of Appeal filed on 25/08/2009 seeks an order to the effect that the FIRS be estopped from denying the appellant's entitlement to PIA at the rate of 10% in respect of Capital Investments in EGP3 as approved by Government	Adjourned to May 16, 2011 for hearing
14	Shell Nig. Exploration & Production Co. Ltd & 3 Ors v. FIRS TAT/ABJ/APP/ 015/009	The respondent refused to recognise the appellants as taxpayers but recognised them as contractors. As such the respondent denied that the appellant had the right to object to the assessment raised by the FIRS on the returns submitted by the NNPC in respect of a PSC Appeal against FIRS notice of refusal to amend Education Tax	Matter transferred to TAT Lagos. Awaiting issuance of Hearing Notice
15	Esso Exploration & Shell Nig. Exploration & Production. Co. Nig. Ltd. v. FIRS TAT/ABJ/APP/ 016/2009	FIRS refused to amend additional Education Tax for 2007-2008 YOA	Matter transferred to the Lagos TAT
16	TSKJ II Construcões Internacionais Sociedade Unipessoal LDA v. FIRS TAT/ABJ/APP/ 017/2010	The appellant submitted its tax returns for 2008 & 2009 years of assessment. The appellant made some reductions in form of recharges but FIRS disallowed the said reductions and issued additional assessment. The appellant objected to the said additional assessment, hence this appeal	Matter adjourned to April 18, 2011 for mention

S/N	Parties/Suit No	Background/Claim	Remark
17	TSKJ II Construcoes Internacionais Sociedade Unipessoal LDA v. FIRS TAT/ABJ/APP/ 010/2008	Appeal against refusal to amend additional CIT assessment for 2004-2007 years of assessment The appellant brought this appeal to set aside additional company income assessment notices CIT assessment for 2004-2007 years of assessment	Matter adjourned to April 18, 2011 for mention
18	Oando Plc v. FIRS TAT/NC/003/2010 TAT/ABJ/APP/ 022/2008	The appellant in this suit is contesting the Notices of Refusal to Amend its income and Education Tax served on it by the respondent for the 2003 financial year	Adjourned to April 19, 2011 for hearing of motion
19	Spectrum Books Ltd v. FIRS TAT/NC/005/2010 TAT/ABJ/APP/ 019/2008	The appellant in this suit filed a Notice of Appeal contesting the respondents' refusal to amend the Additional Notices of Assessment in respect of their tax liabilities to wit: Company Income Tax: 2005-2006 Education Tax : 2004-2005 Withholding Tax: 2000 -2005	Matter adjourned to April 21, 2011 for hearing of motion
20	Oando Plc v. FIRS TAT/NC/006/2010 TAT/ABJ/018/ 2007	Oando Plc (appellant) dissatisfied with the refusal of FIRS to amend the additional income tax assessment for the year 2000-2005 (particularly in respect of the dividend paid out by the appellant in the year of assessment) Appellant applied for transfer of suit for lack of territorial jurisdiction. Ruling transferring the suit to TAT Abuja was delivered on 17/12/2010	Adjourned to May 16, 2011
21	VF worldwide Holding Ltd. v. FIRS TAT/NC/009/2010 TAT/ABJ/APP/ 023/2008	The company appealed against the refusal of FIRS to amend the Income Tax Notice served on it for 2007 year of assessment Appellant applied for transfer of suit for lack of territorial from the Jos TAT. Ruling transferring the suit to TAT Abuja was delivered on 17/12/2010 The appellant claimed that the respondent erred when they refused to amend the additional assessment raised on their retained earnings of 2007 contrary to Section 19 of CITA Appellant applied for transfer of suit for lack of territorial jurisdiction. Ruling transferring the suit to TAT Abuja was delivered on 17/12/2010	Matter adjourned to May 16, 2011 for adoption of written addresses

S/N	Parties/Suit No	Background/Claim	Remark
22	Oando Plc v. FIRS TAT/NC/012/2010 TAT/ABJ/APP/020/2008	The appellant claimed that the respondent erred when they refused to amend the additional assessment raised on their retained earnings of 2007 contrary to Section 19 of CITA Appellant applied for transfer of suit for lack of territorial jurisdiction. Ruling transferring the suit to TAT Abuja was delivered on 17/12/2010	Adjourned to May 19, 2011 for hearing of motion
23	Oando Plc v FIRS TAT/NC/008/2010 TAT/ABJ/APP/021/2008	The appellant by a Notice of Appeal dated 19/08/2008 appealed against the FIRS Notice of refusal to amend their assessment for 2006 year of assessment. Also by another notice of appeal dated 20/09/2010, The appellant appealed against the FIRS Notice of refusal to amend their assessment for 2005 & 2007 years of assessment. There is no assessment notice for year 2005& 2007 to determine the amount in dispute	Adjourned to May 19, 2011 for hearing of motion
24	Kellog Brown and Root Sderl v. FIRS TAT/NC/001/2010	The matter originally commenced before the defunct BAC, and now before TAT Jos. The appellant is appealing against the various Notices of Refusal to amend the assessment raised on them by the Respondent for the year 1999-2003 Year of Assessment	Awaiting issuance of hearing notice to the parties

TAT North East Zone (Bauchi)

S/N	Parties/Suit No	Background/Claim	Remark
1	FIRS v. Awala Hotels Ltd	The matter came up for the first time before the Tax Appeal Tribunal Bauchi. The claim is outstanding tax liability of the Respondent for the period 2002-2007	Awaiting suit numbers and Hearing Notices
2	FIRS v. Confer Laundry Services Limited	The matter came up for the first time before the Tax Appeal Tribunal Bauchi. The claim is outstanding tax liability of the Respondent for the period 2002-2007	Same as above
3	FIRS v. Al - Hayat restaurant	The matter came up for the first time before the Tax Appeal Tribunal Bauchi. The claim is outstanding tax liability of the Respondent for the period of June 2008 – June 2010	Same as above
4	FIRS v. SUBEB	The matter came up for the first time before the Tax Appeal Tribunal Bauchi. The claim is outstanding tax liability of the Respondent for the period of 2005-2006	Same as above
5	FIRS v. Yarmari Guest Lodge	The matter came up for the first time before the Tax Appeal Tribunal Bauchi. The claim is outstanding tax liability of the Respondent for the period of March 2008-August 2010	Same as above
6	FIRS v. ABJ – Consolidated Nig. Ltd	The matter came up for the first time before the Tax Appeal Tribunal Bauchi. The claim is outstanding tax liability of the Respondent for the period of 2002-2006	Same as above
7	FIRS v. Bauchi State Urban Development Board	The matter came up for the first time before the Tax Appeal Tribunal Bauchi. The claim is outstanding tax liability of the Respondent for the period of 2004-2006	Same as above
8	FIRS v. Aliss Hamdala Hotel	The matter came up for the first time before the Tax Appeal Tribunal Bauchi. The claim is outstanding tax liability of the Respondent for the period of 2009	Same as above
9	FIRS v. Sigiji Hotel Limited	The matter came up for the first time before the Tax Appeal Tribunal Bauchi. The claim is outstanding tax liability of the Respondent for the period of 2005-2008	Same as above
10	FIRS v. BB Investments Limited	The matter came up for the first time before the Tax Appeal Tribunal Bauchi. The claim is outstanding tax liability of the Respondent for the period of 2000 – 2006	Same as above

S/N	Parties/Suit No	Background/Claim	Remark
11	FIRS v. Kachalla Guest Inn	The matter came up for the first time before the Tax Appeal Tribunal Bauchi. The claim is outstanding tax liability of the Respondent for the period of 2008-2010	Same as above

TAT North West Zone (Kaduna)

S/N	Parties/Suit No	Background/Claim	Remark
1	Federal Board of Inland Revenue v. Finetex Nigeria Limited VAT/ KDZ/02	The appellant's claim against the defendant is for unremitted VAT and penalty and interest between 1999-June, 2003 On February 7, 2011 appellant's counsel informed the Tribunal that Notice of Appeal has been filed and respondent served	Case adjourned to the next sitting to be communicated to the parties by the Tribunal. Hearing Notices to be served on parties and all filing procedures to be completed before the next sitting
2	Federal Board of Inland Revenue v. Sosoliso Airlines Limited VT/KDZ/10/2007	The appellant's claim against the defendant is for unremitted VAT and penalty and interest between April 2001-February 2005 On February 16, 2011 appellant counsel informed court that Notice of Appeal had been prepared and filed. Court Bailiff hinted that the Respondent had not been served as their current address could not be traced. Appellant counsel applied orally for substituted service under Order 7 Rule 3 of the TAT Rules. Tribunal granted application	Adjourned to May 3, 2011
3	Federal Board of Inland Revenue v. Joy Race VT/TR/KDZ/08	The appellant's claim against the defendant is for unremitted VAT and penalty and interest between 2000- 2005 Matter came up on February 16, 2011. Appellant counsel informed court that the outstanding liability of the respondent was still being investigated as there are conflicting reports on the actual sum owed. Tribunal ordered counsel to obtain the appropriate amount owed and file the required processes.	Matter adjourned to enable preparation of processes Hearing Notices to be served on parties and all filing procedures to be completed before the next sitting
4	Federal Board of Inland Revenue v. Kaduna Textile Nigeria Limited VAT/TA/KDZ/09	The appellant's claim against the defendant is for unremitted VAT and penalty and interest between 1995 - June, 2003 On February 17, 2011, respondent counsel confirmed that they had received Notice of Appeal and asked for a date to file reply	Hearing Notices to be served on parties and all filing procedures to be completed before the next sitting

S/N	Parties/Suit No	Background/Claim	Remark
	FBIR v. Arewa Textile Plc. & 2 Ors. TAT/NWZ/KD/07/10	The appellant's claim against the defendant is for unremitted VAT and penalty and interest between 1995 to September 2004 and Education Tax owed On February 17, 2011 appellant informed Tribunal that it has filed and served Notice of Appeal in accordance with the Rules. Tribunal informed appellant that it had received a letter from counsel to respondent asking for adjournment to enable it prepare and File reply to notice of appeal	Matter adjourned to next sitting. Hearing Notices to be served on parties and all filing procedures to be completed before the next sitting

The new tax statutes are not unmindful of the challenges encountered by the predecessors to the Tax Appeal Tribunal; notably the Value Added Tax Tribunal, VATT. In *Stabilini Visinoni Vs Federal Board of Inland Revenue*⁹, the Court of Appeal held that the establishment of the VATT was null and void for contravening section 251 of the 1999 Constitution of Nigeria. Section 251 (1) vests the jurisdiction of matters relating to the revenue of the Government of Federation (including taxation) in the Federal High Court to exclusion of any other court. Section 20 (2) of the Value Added Tax Act¹⁰ which provided for establishment of the VATT vested the Tribunal with coordinate jurisdiction with the Federal High Court in that, by subsection (3) of section 20, appeals from the Tribunal went to the Court of Appeal. The Court of Appeal considered this provision offensive to the letter and spirit of section 251 of the Constitution. To the extent that the TAT is a successor to the VATT, some taxpayers have challenged the jurisdiction of the TAT on the basis of *Stabilini Visinoni Vs Federal Board of Inland Revenue* (supra). The Federal Inland Revenue Service (Establishment) Act which establishes the TAT seeks to cure the defect in the establishment of the VATT that gave rise to the Court of Appeal decision in STABILINI's case. Appeals from the TAT now go to the Federal High Court, subjecting the proceedings of the Tribunal, as it were, to the judicial review of the Federal High Court.¹¹ The procedure contained in the FIRS Establishment Act is similar to that which obtained under the defunct Body of Appeal Commissioners. The Federal High Court itself, in the case of *Ocean & Oil Ltd Vs The Federal Board of Inland Revenue*¹² affirmed as proper and correct this procedure when it dismissed a suit filed by the plaintiff for failing to exhaust the procedure at the then Body of Appeal Commissioners before resorting to the court. In its ruling on preliminary objection, the court relied on the Supreme Court decision in

*Eguamwense Vs Amaghizeuwen*¹³ in which the Supreme Court held that where a statute prescribes a legal line of action for determining issues, be it administrative or matters of taxation, the aggrieved party must exhaust all the remedies in law before going to court. The learned trial judge held that since Ocean & Oil Ltd failed to seek remedy from the Body of Appeal Commissioners before approaching the court, the company “jumped the stile” and the case was struck out accordingly.

Another new development in the area of dispute resolution is that the TAT is vested with the resolution of disputes arising from the operation of the Personal Income Tax Act. Hitherto, disputes arising from personal income tax assessment were directed at the Body of Appeal Commissioners established for the States of the Federation pursuant to Section 60 of the Personal Income Tax Act Cap P8 Laws of the Federation of Nigeria 2004. The BACs were constituted by respective Commissioners of Finance of the States and appeals therefrom were directed to the High Court of the relevant State. Section 14 of the Personal Income Tax (Amendment) Act has made away with the BACs in the principal Act and in their place, mandated the TAT to resolve personal income tax disputes.

The vesting of the combined jurisdictions of the defunct Body of Appeal Commissioners and the Value Added Tax Tribunal in the Tax Appeal Tribunal has created a one-stop-shop for aggrieved parties to seek remedy irrespective of the tax type. The delimitation of the jurisdiction of the Tribunal into eight zones; one for each of the six geopolitical zones and one for Abuja and Lagos respectively is aimed at promoting convenience for parties as well as reducing cost of appeals. The location of the tax office from which the assessment in dispute arise is the basis for determining which zone of the Tribunal is vested with jurisdiction. This was the decision of the Tax Appeal Tribunal, Lagos Zone in the case of *Nigerian AGIP Exploration Ltd Vs Federal Inland Revenue Service*.¹⁴

References

1. Section 6 (4) (a) & (b).
2. Paragraphs 13 and 14 of the Fifth Schedule to the FIRS Establishment Act 2007.
3. *Ibid*, paragraph 17 (1).
4. See section 249 (2), *ibid*.
5. See section 251 (1) and (3), *ibid*.
6. See section 239 (1) (a) & (c), *ibid*.
7. See Paragraph 2, Fifth Schedule, FIRSEA.
8. Source: Legal and Prosecution Department, Federal Inland Revenue Service: Summary of Cases at the TAT as at March 30, 2011.
9. 1 TLRN 1.
10. Cap V1 Laws of the Federation of Nigeria 2004.
11. Paragraph 17 (1) of the Fifth Schedule to the FIRS (Establishment) Act 2007.
12. (2011) 4 TLRN 135.
13. (1993) 9 NWLR (Part 315) 1.
14. (2011) 4 TLRN 141.

CHAPTER SEVEN

MODERNISATION

Modernisation Overview

Modernisation refers to the process of adaptation to what is modern or current. It also refers to the process of improvement, or bringing something up to date. In the context of the Federal Inland Revenue Service, modernisation refers to the sum total of strategies, initiatives and policies put in place by the Management of the Service, beginning from 2004 to date, that are aimed at improving the business, operational and strategic objectives of the Service.

The 2002 Study Group got approval from the Federal Ministry of Finance and invited the International Monetary Fund, IMF for focused visits which took place between 2003 and 2007. The visiting team recommended that the Service must be modernised in order to remain relevant and virile in the face of economic realities. Consequent upon the recommendation, the Service adopted a programme of reforms along seven strategic flanks namely:

- a. Funding FIRS/Acquiring autonomy
- b. Strengthening investigation/enforcement
- c. Auditing oil, gas and large taxpayers
- d. Providing taxpayer education and services
- e. Re-engineering and automate collections/tax administration system
- f. Building capacity in the following areas: structure, staffing and specialization
- g. Re-engineering and automating human resource processes, finance and procurement.

These seven flanks were to be accompanied with aggressive anti-corruption campaign, revised code of ethics and performance management/result orientation as three fundamental anchors

for the reform. The overall goal of the strategic flanks was to increase collection on a year to year basis by at least 25 percent relative to 2004 levels.¹ The development of strategic flanks further necessitated the need to have in place a structure that would drive the projects, programmes and initiatives that would transform the business processes of the Service to reflect modern realities. This led to the creation, on November 26, 2005, of the Modernisation Department. The department's primary function is to provide a focused attention on all modernisation projects. The department was headed by Osy Chuke from 2005 to 2007. In 2008, Osy Chuke was made the Coordinating Director of the newly established Corporate Development Group and Dr. Amos Audu Ogantonah assumed the headship of the department until June, 2010, when he was moved to head the Integrated Tax Administration System (ITAS).

The progress that has been made in the drive to modernize tax administration shall be discussed along the following six focal areas:

- a. Modernisation Plan Version 1
- b. Overall goals of the Modernisation Plan
- c. Objectives of the Modernisation Plan
- d. Seven strategic flanks of the Modernisation Plan
- e. Modernisation Plan Version 2
- f. Modernisation Programme Governance Structure

Modernisation Plan Version 1

Following several recommendations of the IMF missions preceding 2005, a detailed Modernisation Plan Version 1, based on the Service' vision to achieve a modern and fully integrated revenue administration, including goals, objectives, expected benefits, indicative costs, and risks that could threaten success was developed. The plan was to cover the period 2004-2007 and drawn primarily on the seven strategic flanks with the following components:

-
- a. Mobilisation of donor funding
 - b. New business models
 - c. Acquisition, development and implementation of an Integrated Tax Administration System (ITAS)
 - d. Self assessment
 - e. Medium taxpayer administration
 - f. Human resources, capacity building and training
 - g. Infrastructure and IT networks and communications
 - h. Self integrity and anti-corruption
 - i. Legislation

Overall Goals of the Modernisation Programme

Under the modernisation programme, FIRS will pursue and take full advantage of a new funding mechanism to renew and update its service delivery infrastructure, widen and deepen the professional competencies of its workforce, become active at influencing improvements in tax policies and laws and more effective in applying the policies and laws in delivering services to taxpayers, in order to triple its 2004 revenue target by 2007.

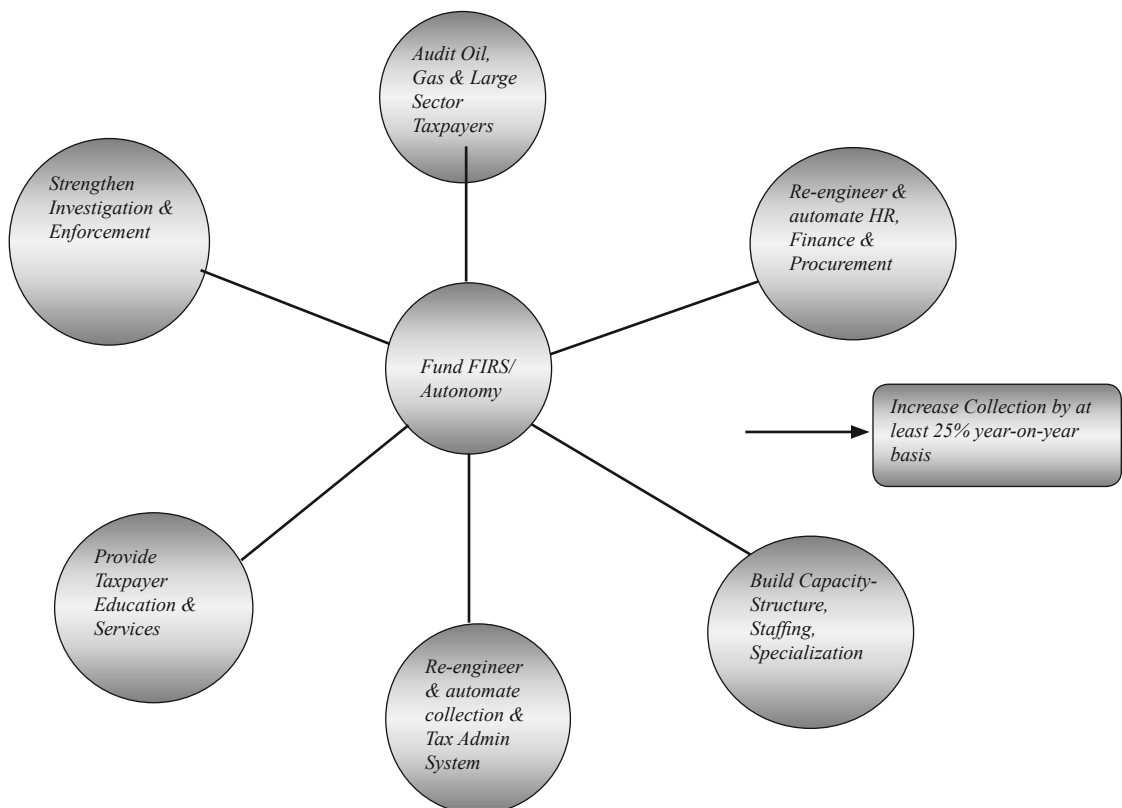
Objectives of the Modernisation Programme:

- a. To seek the enactment of an FIRS law, with provisions for its funding based on a percentage of the non-petroleum profit tax it collects, and direct management of its human resources.
- b. To seek the amendment of all the existing tax laws to give effect to the recommendations of the Study Group, Working Group and all other groups which worked cooperatively with the Service in proposing amendments to the laws.
- c. To have well established operational facilities and one-stop client service outlets, from where all the taxes can be administered, with large taxpayers brought together under common outlets for the purpose of more effective service delivery.

- d. To align work processes with the changing rules arising from the changes in the tax legislations, while conforming them to the use of information technology and other modern business-support and business-enhancing tools.
- e. To re-vitalize the work force in terms of size, mix, skill-sets, performance recognition and remuneration, and behaviour based on its core values.
- f. To develop and maintain client education, and community confidence-building programmes which recognise the differences in client characteristics and concerns.

Seven Strategic Flanks of the Modernisation Plan

The seven strategic flanks of the Modernisation Plan have already been listed. Below is a diagrammatic illustration of the seven strategic flanks:



These strategic flanks are guided by the goals and objectives of the modernisation plan and anchored on the three platforms of aggressive anti-corruption campaign; code of ethics performance management and result orientation

Modernisation Plan Version 2

On the expiration of the first version of the Modernisation Plan, a second version was drawn. The second version is to run from 2008-2011. It is noteworthy to mention here, that the modernisation programmes is designed with a ‘going concern’² principle. This means that as old projects are completed, new projects are drawn and subsumed under the programme. Thus, the Modernisation Plan 2 is a revised version of Plan 1. The road to developing the modernisation Plan version 2 commenced with a series of workshops and retreats to explore the concepts relating to the compliance model and the choices for FIRS between a transactions versus taxpayers’ (clients) based organisation and the development of short and medium term strategic goals and objectives. The workshops specifically addressed two questions:

- a. What are the implications for moving the Service from a tax type to a taxpayers’ focused organisation?
- b. What needs to change or happen in FIRS to achieve the chosen model?

A consultant from international accounting firm, Accenture made presentations at the various workshops and retreats on how to develop a modernisation plan based on a 3 steps approach; namely:

- a. Identification of core capabilities within the tax administration system;
- b. Gap analysis on each of the core capability distinguishing the “as is” from the “to be”; and
- c. Prioritisation of areas and work strategies/projects to close the gaps

The remaining part of the revised plan discusses:

- a. The Modernisation Programme Governance Structure;
- b. Summary of performance from Modernisation Programme Version 1;
- c. Tangible deliverables from initial projects in Modernisation Programme Version 1;

- d. Modernisation Programme Version 2;
- e. Tangible deliverables from Modernisation Programme Version 2;
- f. Programme implementation risks;
- g. Funding.

During the first modernisation plan period (2004-2007), the Service aimed at tripling the yield of federal non-oil taxes by 2007 based on the yield achieved in 2004 or achieving at least 25% tax yield increase year-on-year, by pursuing the objectives of the modernisation plan. The modernisation plan version 2, presented the progress and gaps recorded on the reform projects initiated during the first plan horizon (2004–2007), and the additional projects aimed at in the second plan horizon (2008-2011).

Modernisation Programme Governance Structure

The technical assistance visits and advice received from the Fiscal Affairs Department of the International Monetary Fund (FAD/IMF) at the early stages of the modernisation programme resulted in project plan documentation in the form of modernisation plans and separation of project governance and management from day to day work of tax administration under a dedicated function. The IMF recommendations envisaged the establishment of a Programme Governance Structure and a Modernisation Programme Office, as a programme delivery framework. These recommendations have been fully implemented and a Modernisation Programme Steering Committee (MPSC) headed by the Executive Chairman was set up. The overall reform programme sponsor, who doubles as the Chairman of the Steering Committee will provide broad guidance and direction to the programme. All projects in the modernisation programme are categorised and subsumed under one of three boards namely Business Processes Transformation Board; Human Resources Transformation Board; and Finance Services Transformation Board.³ All the Transformation Boards have Project Teams under them. The Project Boards are responsible for the day to day running of the projects, while the MPSC concentrates on policy formation and approval matters in order to achieve the overall modernisation objectives.

The three Project Transformation Boards were established and based on pre-defined guidelines. The Board's terms of reference (TOR) were approved by the MPSC for each of the Transformation Board thus:⁴

Business Process Transformation Board (BPTB)

- a. Deliver an improved manual work flow mechanism and reengineered business processes to support automation of the Service.
- b. Deliver on an e-FIRS environment that would ensure that the minimum services for staff and taxpayers can be delivered through automation by end of June 2010 starting with the automation of identified critical areas.
- c. Define priorities, work plans, timelines, project organisation structure and budgets for agreed project areas for approval by the MPSC.
- d. Identify any areas and seek necessary approvals for delegated authorities and any other areas required to fast track the achievement of agreed work plans
- e. Handle any other areas required to support achievement of the TOR.

Human Resource Transformation Board (HRTB)

- a. Deliver a high performing workforce with Headquarters functions optimised to effectively support the needs of staff.
- b. Conclude existing and newly identified projects that support the achievement of TOR.
- c. Define priorities, work plans, timelines, project organisation structure and budgets for agreed project areas for approval by MPSC.
- d. Identify areas and seek necessary approvals for delegated authorities and any other areas required to fast track the achievement of agreed work plans.
- e. Handle any other areas required to support achievement of the TOR.

Financial Systems Transformation Board (FSTB)

- a. Analyse all existing processes and re-engineer them for optimum alignment to the requirements of the new FIRS Act.
- b. Develop and train staff on the improved operational manuals.
- c. Deliver an automated Finance and Accounts system.

- d. Consider the automation of the procurement process.
- e. Review the existing procurement, inventory and facility management project with a view to repositioning it to achieve its set objectives.
- f. Define priorities, work plans, timelines, project organisation structure and budgets for agreed project areas for approval by MPSC.
- g. Identify any areas and seek necessary approvals for delegated authorities and any other areas required to fast track the achievement of agreed work plans.

Each of the transformation board has projects under it. The Business Process Transformation Board has seven projects; the Human Resources Transformation Board has one project sub divided into two phases. Phase one of the project has two projects under it. The Financial Services Transformation Board consists of a single project with three sub-projects under it. In the subsequent analysis however, the categorisation of the various projects will be based on three criteria namely re-engineering projects, automation of key processes and other modernisation projects.

RE-ENGINEERING PROJECTS

The re-engineering projects are mostly those projects driven by the Human Resource Transformation Board (HRTB) and the Financial Services Transformation Board (FSTB). These projects include the Integrated Human Resource Payroll and Pension Systems; the Staff Placement Assessment Project; the Human Resource Management Framework; the Finance and Accounts Re-engineering Process; the Procurement, Inventory and Logistics Reform Project; and the Conversion of Cash to Accrual Based Accounting Systems Project.

The Integrated Human Resource Payroll and Pension Systems

The re-organisation process commenced by the Service in 2004 was partly aimed at redefining proper people management. The process sought to re-align, re-focus, motivate and re-invigorate the workforce while instilling its core values of professionalism, integrity and efficiency. A committee was set up to develop detailed organisation schedules, job schedules and manning levels. To ensure that this process achieved its purpose, DFID approved the funding of an Integrated Human Resources Payroll and Pension Management Systems,

covering four major components which were human resources process re-engineering; payroll and pension software implementation; hardware systems and connectivity across the Service. The objectives of this project are to:

- a. Deliver an integrated payroll and personnel application solution that will enable FIRS better manage personnel budgets and respond to evolving organisational requirements.
- b. Provide an easy access to people-data to enhance people-management decision making.
- c. Facilitate a seamless join-up between FIRS transactions and the planning and operational responsibilities of other key stakeholders.
- d. Reduce the levels of payroll and pension fraud.
- e. Develop the required skills to drive a service-oriented organisation.

Benefits of the project include:

- a. A professionally conducted verification exercise that produced final records of authentic FIRS employees and pensioners.
- b. Training Needs Analysis (TNA) report.
- c. Re-organised employee records registry.
- d. Installation of HR software solution-SAP HR
- e. The determination of manning levels to support and drive the reform
- f. The establishment of a secure ID card system
- g. Capacity building through gap-analysis and training interventions.

Staff Placement Assessment Project

The Staff Placement Assessment Project was initiated in August 2007 sequel to the organisational restructuring to align the organisational structure with organisational strategy and performance objective. The project is the second in the Human Resources Reengineering Phase I. It aims to enable an effective placement of the personnel to ensure alignment of capabilities with job requirements and also to determine the training gaps between the

current and ideal leadership skills, training intervention and leadership development needs, and to measure the current FIRS leadership skills. The objectives of the project include:

- a. To achieve a proper placement of FIRS personnel on job schedule(s) where their potentials could be maximised.
- b. To develop a training programme that will improve/enhance the potentials (both technical and leadership) for all staff.
- c. To develop an effective organisational structure/manning level that will remove bureaucratic bottleneck and time wasting.

Benefits of the Project

- a. Job analysis and capability framework for salary levels 02-10.
- b. Identification of leadership potential for the reinforcement of FIRS leadership team in driving the reform.
- c. Re-alignment of organisational structure, job descriptions and manning levels, in line with best practice and benchmarks.
- d. Capability gaps.
- e. Training and development interventions, based on identified gaps between existing capabilities.
- f. Re-training and upgrading of skills programmed for those whose qualification fall short of requirement but who are trainable for vacant positions in the system.
- g. Leadership development programme for personnel identified in assessment process to possess leadership potentials.

The Human Resource Management Framework

This is the second phase of the staff placement assessment project. The professional services of KPMG were engaged on the 5th of January 2009 to support the Service in its aim to redefine the strategic position of its Human Resources function with a redesigned Human Resource Management Framework. The central objective of the project is to ensure that the human resource management structures, systems and practices within FIRS efficiently

and effectively support the Service in the achievement of its mandate. The FIRS therefore commissioned KPMG to:

- a. Facilitate the articulation of a comprehensive HR strategy that is aligned with the overarching strategy of the Service.
- b. Conduct a comprehensive review of the Service's human resource management function.
- c. Define framework/operational manuals that would provide structure to the Service's human resource management activities.
- d. Reconfigure the existing HCM/HR functional structure to reflect organisational dynamics and the redefined HR strategy.
- e. Conduct skills and competency inventory analysis for staff of the Service's HR function and ascertain key training imperatives to address identified skills gap.
- f. Facilitate the effective upload of the updated HR procedure on FIRS' human resource management application.
- g. Chart a road map that will guide the transition to the redesigned HR functions.
- h. Review and validate the process design and technology requirements of the updated records registry of the FIRS and recommend necessary updates as required.
- i. Facilitate project management capacity building for target groups within FIRS.

The purpose of the project is to:

- a. Transform the human resource function from a mainly operational focus to a strategic partner and change agent with professional and administrative expertise that adequately supports the Service to achieve its corporate objectives;
- b. Facilitate effective upload of human resource procedures on FIRS Human Resource Management Applications;
- c. Remove delays in processing staff/stakeholder requests; and
- d. Eliminate distortions and duplications in human resource process through well defined job descriptions.

So far, the human resource re-engineering project has delivered the following outputs:

- a. A Human Resource Policy and Procedure Manual;
- b. Human Resource Organisational Structure;
- c. Human Resource Job Description;
- d. Code of Conduct and Ethics.

Finance and Accounts Process Re-engineering Project

The Finance and Accounts Department was identified as one of the key functions in need urgent of re-engineering. This was done in order to enhance the efficiency and effectiveness of its functions without compromising internal controls, thus repositioning it for the challenge of the reformed FIRS driven by the requirements of the new FIRS Act 2007. The main objectives of the project are:

- a. To review existing structure and procedures for payment processing.
- b. To identify bottlenecks in Finance and Accounts processes and procedures.
- c. To put in place adequate structure to eliminate delays in payment of claims.
- d. To develop improvement plan for the management of Finance and Accounts and system implementation.
- e. To develop and install a system of immediate response for financial reports.
- f. To review the financial process to align with Accrual Accounting process.

Benefits of the Project

- a. Improved F&A Processes and Procedures that are aligned with accrual basis of accounting as required in the FIRS Act 2007.
- b. Integration of reports from Regional Offices.
- c. Training of staff on the newly implemented processes & procedures.
- d. Compliance monitoring by the implementation.

Procurement, Inventory and Logistics Reform Project

In view of the newly acquired autonomous status under the FIRS Act of 2007 and in order to reorganise and restructure some of its key functions in line with best practices, the Service embarked on a systematic upgrade of its operations. Procurement and Due Process, Facility Management and Stores/Inventory Management sub functions were selected and identified for this project. The central aim of the project is to develop an effective procurement and inventory management system for the Service with a view to enabling a highly professionalized, standardised and computerised system of procurement and logistics management that prides itself in best practices among federal establishments with highly motivated and well trained personnel.

Conversion of Cash to Accrual Based Accounting Systems Project

The Service engaged a consultant to assist with the conversion of its accounting system from cash basis to accrual basis to enable the Service to comply with the provisions and requirements specified in the FIRS Establishment Act 2007 in relation to financial reporting. The main objectives of the conversion project are to:

- a. Improve the process of identification classification, recording and reporting of financial accounting transactions.
- b. Provide improved management information in order to enhance the quality of management decision making and resource allocations.
- c. Provision of adequate and accurate information on the financial position and cash flow of the Service.
- d. Develop parameters for conducting periodic evaluation of the Service performance in terms of its costs, efficiency and accomplishments.
- e. Align the accounting operation of FIRS with that of leading practices in similar organisations.

AUTOMATION OF KEY PROCESSES

Automation of key processes involves the use of latest technologies in the operation of core business processes. Over the last three decades, revenue agencies have made innovative

use of technology to implement new business models. Tax administrators have been constantly concerned about developing new ways of improving institutional performance by increasing the effectiveness of tax control and providing taxpayer services that may allow them to better comply with their tax obligations. A comparative study of developed revenue agencies shows that technology, especially information technology, has been a key element in the transformation of the world's leading agencies. The benefits of business process automation include the elimination of human error, dramatic increases in transaction speeds and consistent and repeatable performance of business processes.

All the projects aimed at automating key processes of the Service are under the supervision of the Business Process Transformation Board. These projects include:

- a. Project FACT (Friendly, Accurate, Complete and Timely)-PFACT.
- b. Bank Payment Process Automation and Taxpayers' Database Development (BPPA & TDBD).
- c. Integrated Tax Administration System (ITAS) Project.
- d. Records Management and Documentation Tracking (RMDT) Project.

Project FACT (Friendly, Accurate, Complete and Timely) PFACT

Commenced in 2005, Project FACT was the first automation process initiated in the Service as a result of the modern reforms. It is not however, the first attempt at automating a key process of tax administration in the history of the Service. Between 2001 and 2004, there were efforts to automate Withholding Tax Credit Notes, automation of the Large Tax Unit (which was meant to be the background to the present ITAS) and the National Intelligence Database which was aimed at creating a link to the Corporate Affairs Commission to track registered companies and another link to the Central Bank of Nigeria to check on foreign exchange business and finally another link to the Nigeria Customs Service for customs import duty. In spite of these efforts, the core processes of the Service such as taxpayer registration, assessment and collection were done manually. Similarly, support functions such as human resource management, finance and accounts, procurement etc were also manually carried out.

PFACT was set up as a bank collection reform project to ensure that funds collected are not delayed, converted or diverted. Some preliminary studies were carried out to seek ways of improving bank collection. The studies led to the implementation of the following steps:⁵

- a. The use of SWIFT was considered and Telnet (Nigeria) Limited, representatives of SWIFT in Nigeria, were contacted.
- b. Messrs Telnet (Nigeria) Limited and InterSwitch Limited conducted a review of FIRS activities, with a view to proffering a solution.
- c. The outcome of the study, and a solution was proposed to FIRS Management on 22nd June 2004— the solution was to leverage on the InterSwitch infrastructure to improve bank collections.
- d. The project obtained all stakeholders (CBN, MOF, OAGF, FAAC and RMFAC) approvals including FEC by May 18, 2005.
- e. Funds were disbursed to Interswitch by August 2005.
- f. Pilot run commenced on November 22 2005 in five tax offices.
- g. Part-time project manager and implementation chairman was appointed.
- h. The Bank Collection System Reform Committee (aka Project FACT) was setup as an “Execution Committee.”

The FIRS Bank Collection Reform Committee was constituted in July 2004, and comprised representatives of Federal Inland Revenue Service FIRS, Central Bank of Nigeria CBN, Office of the Accountant General, Nigerian Custom Service, Telnet (Nigeria) Limited, InterSwitch Limited and the four competitively and provisionally selected Lead Banks.⁶

Terms of Reference and Scope

The Bank Collection Reform Committee was given the terms of reference for their activities, and the committee code-named the project “Project FACT.” The terms of reference for the committee mandated it to:⁷

- a. Seek a thorough understanding of collections and areas of leakages;

- b. Address issues pertaining to the achievement of an improved collection system devoid of leakages and frauds;
- c. Finalize development of the InterSwitch/Telnet solution, as presented, and ensure integration to FIRS long-term needs;
- d. Execute solution within agreed timelines;
- e. Enhance FX component of tax collections;
- f. Determine organisational and other adjustments which the Service may have to make to take full advantage of the proposed solution;
- g. Determine information and reporting requirements;
- h. Develop funding plan and obtain required funds accordingly;
- i. Develop communication plan to ensure adequate education of all stakeholders in a timely manner and enhance taxpayer confidence;
- j. Conclude agreements with all relevant parties;
- k. Develop a comprehensive database of taxpayers;
- l. Develop and obtain approval for implementation action plan;
- m. Brief Management on a bi-weekly basis on status of project through formal status reports.

The objectives of the project were identified as follows:

- a. Reengineer Bank Collection Processes: Automate several manual fraud-prone procedures– generation of receipts, credit advices, and tax clearance certificated, compliance tracking etc.;
- b. Immediate Notification of Payments: Receive information on the collections immediately the taxes are paid, with the ability to attach all taxes paid to the specific companies that made the payments;

- c. True Status' statements and balances: Amount being remitted by each bank to CBN, as well as the details of tax payments (by bank, by tax type, by company, etc.);
- d. Prompt Payment and Alternative Payment means: Several channels through which companies can conveniently pay their taxes.

PFACT was designed to provide the following deliverables:

- a. Instant tracking and notification of payments;
- b. Online real-time reports of all tax payments;
- c. Introduction of new/alternative payment methods that are user-friendly, convenient, efficient and without encumbrances;
- d. Automatic sweeping of funds from collecting banks to lead banks;
- e. Reduction in number of banks that FIRS relates with;
- f. Online self-assessment by taxpayers;
- g. Elimination of cheques-related fraud ;
- h. Proof of payment that ensures proof of payment is generated from a central location and reports are available within the system for details of all payments– by tax type, bank name and branch, date etc and finally ensures that receipts and credit advices are generated;
- i. Single view of all tax payments made by taxpayers (WHT, CIT, VAT, etc.);
- j. Linking of WHT collected on behalf of a taxpayer to offset liability for relevant taxes;
- k. Ability to track payments made by taxpayers from single view– irrespective of tax being paid for, and mode of payment;
- l. Generate real-time reports containing details of payments– by taxpayer, tax type, bank/branch, date, etc.;
- m. Online tracking of taxpayer self-assessments;
- n. Reduction in the number of bank books and reconciliation;

- o. Remove burden/complexity of manual reconciliation;
- p. Automate the generation of all FIRS Reports.

Project FACT was slated to merge with Returns and Payment Processing and the National Taxpayers' Database Projects to become Bank Payment Process Automation and Taxpayer Database Development (BPPA&TDBD) with a new set of objectives and deliverables, which dovetailed into the Version 2 (2008-2011) of the Modernisation Programme.

Since its take off in 2005, the following benefits have been realised from the project:

- a. Lead and collecting banks have been identified and engaged;
- b. All Regional and Large Tax Offices have been integrated on WANs;
- c. Tax offices and Revenue House have been connected to Interswitch;
- d. Collections from tax offices have been configured to banks on Pay Direct;
- e. Ability to track payments online real-time;
- f. Ability to track bank collateral through the pledge T-bills;
- g. Separate accounts have been opened for the Naira currency tax remittance to align with Integrated Tax Office structure;
- h. Separate dedicated domiciliary accounts have been opened with CBN for foreign currency tax remittances to ease account reconciliation amongst other purposes;
- i. Provided single view of all taxes collected in the tax offices;
- j. Generation of real time payment reports;
- k. Coded CBN accounts towards accounts consolidation;
- l. Organisation-wide training of staff on ICT appreciation;
- m. Commenced the development of reliable taxpayer database.

Integrated Tax Administration System (ITAS)

The reports of visiting teams and missions of the Fiscal Affairs Division (FAD) of the IMF in 2004, 2005 and 2006 strongly recommended the implementation of an Integrated Tax

Administration System (ITAS). Specifically, the 2005 mission made the following observations:

The acquisition of an ITAS remains the best way forward for modernisation of tax administration in Nigeria. The advantage of ITAS is that the commercially available products have tended to incorporate modern integrated business processes that relate to the core tax administration areas (such as registration, accounting and assessment) into the design of the systems. This allows a new tax administration to ‘leapfrog’ some of the lengthy system and business process analysis that would otherwise be required to prepare for a new computer processing capability. A major effort needs to be launched to secure funding for an ITAS, particularly given the lead time for procurement, customization and training required.⁸

In addition to delivering a seamless, integrated solution which incorporates international best practices for revenue administration, the proposed solution should support the FIRS in achieving the following objectives:

- a. Improve revenue collection, as targeted, to aid the government in alleviating poverty, fighting crime, and corruption, and improving infrastructure, better education and health services to the citizens, as envisaged in the Federal Government’s economic development blueprint;
- b. Improve governance, through effective and efficient channels of collaboration with the taxpayers;
- c. Improve transparency to enable a fair and equal treatment of taxpayers; and
- d. Improve the efficiency of overall revenue administration and reduce turnaround times for providing services to taxpayers; in order to support voluntary compliance.

The project has been designed to cover the following areas:

- a. Customer Interface Management (should support multiple channels e.g. web, IVR)
- b. Taxpayer Registration and Identification
- c. Returns and Payments Processing
- d. Filing and Debt Enforcement

- e. Taxpayer Accounting
- f. Revenue Accounting
- g. Case Management and Workflow
- h. Audits, Appeals and Investigations
- i. General Services: Reporting, Correspondence and Document Management
- j. Taxpayer Services and Education
- k. Data Management

Three key deliverables were identified as project outputs which include streamlined and more efficient tax administration processes; implementation of a commercial off-the-shelf (COTS) ITAS which has been customized to suit FIRS' environment and specific requirements; and complete set of documentation required for the operation and continued maintenance of the above e.g. training manuals, system configuration documents, technical design specifications, etc.

Timelines

S/N	2008	2009	2010	2011
1	Constitution of core ITAS project team and work streams	Continue execution of in-project training plan as required	Implementation of other functionalities as prioritized by the Business	C o m p l e t e Implementation
2	Commence Change Management activities including sensitization of external stakeholders	Implementation of Registration Functionality *	BPR re-validation of implemented business rules	Change Management activities
3	Identification of pre-project training needs e.g. IT skills, Project Management, etc and execution of training plan	Implementation of Collections functionality (integration to PayDirect & FIRS Online as required)*	Change Management activities	Continue execution of In-Project training plan as required
4	Continue selection process of preferred ITAS solution	Implementation of additional functionality as prioritized by Business*	Project Quality Assurance	Project Close-out

S/N	2008	2009	2010	2011
5	Procurement of ITAS hardware + software + Identification of In-project training needs	BPR activities happening in parallel; including revalidation of business rules		Project Quality Assurance
6	Commence execution of In-project training plan	Project Quality Assurance		
7	BPR activities occurring in parallel to items 2 – 6			

Expected Benefits

The Service intends to pilot the deployment of ITAS in Large Taxpayer Offices prior to rollout across to all Integrated Tax Offices and Regional Offices. The successful implementation of an ITAS, including the re-engineering of core taxation processes is expected to provide the cornerstone of the reform agenda and numerous benefits to the Service and taxpayers alike; including:

- a. Streamlined, efficient processes that make it easier for taxpayers and other stakeholders to interact with the Service and in turn make the FIRS more responsive to taxpayer needs;
- b. The availability of a comprehensive repository of taxpayer information that makes it easier for FIRS to support and monitor the taxpayer-base throughout the lifecycle of each taxpayer;
- c. Provision of industry and market information on taxpayers, enabling modern risk assessment and risk management approaches for compliance;
- d. Aid in case management for audit, investigation and appeals;

- e. A more professional, more efficient workforce with the right skills and tools required to provide quality service to taxpayers;
- f. Provision of consistent, quality service to taxpayers across all FIRS offices in the nation.

Bank Payment Process Automation and Taxpayers Database Development (BPPA &TDBD)

Project FACT and the National Taxpayers' Database Development are expected to eventually dovetail into the BPPA & TDBD project. The objectives of this project are to:

- a. Develop a reliable and comprehensive national taxpayers' database and assign Taxpayers' Identification Numbers (TIN) to the taxpayers.
- b. Support expansion of the tax net.
- c. Ensure successful and comprehensive taxpayers' enumerations.
- d. Automate manual fraud prone procedures such as generation of receipts and credit notes.
- e. Develop other payment channels.
- f. Integrate the FX component to the web portal.
- g. Introduce use of tax cards.
- h. Ensure data capture of assessment records for arrears/debt monitoring.
- i. Reorganise the project management and organisation structure.
- j. Re-evaluate earlier planned activities with clear timelines.
- k. Identify what has been achieved and key milestones that are outstanding.
- l. Ensure implementation of auto SWIFT for the FX component.
- m. Develop communication plan for the use of the automated flow line receipts, credit notes and online tax cards.
- n. Determine organisational and other adjustments which the Service may make to take full advantage of the solution.

- o. Identify key stakeholders and what activities must be performed to carry them along.
- p. Group outstanding activities into key project areas.

Records Management and Document Tracking (RMDT) Project

Record Management is the practice of maintaining the records of an organisation from the time they are created up to their eventual disposal. This may include classifying, storing, securing, and destruction (or in some cases, archival preservation) of records.

Prior to the introduction of Records Management and Document Tracking, RMDT, in 2006, there were challenges hampering efficient handling of records in FIRS and these impacted negatively on its ability to meet stakeholders' needs and expectations. The challenges were as follows:⁹

- a. Overloaded and dysfunctional cabinets and cupboards in the registries;
- b. Poor response time to requisitions for records;
- c. Absence of a defined registry structure;
- d. High rate cases of missing mails, records or files;
- e. Inefficient process of charging and discharging records particularly the tracking of records in transit from one department to another;
- f. Improper filing and arrangement of documents in file jackets and storage facilities;
- g. Random opening of temporary files and non-merger of temporary files with main files;
- h. Inadequate co-ordination and information provision on the movement of records between the central registry in Revenue House and the different departmental registries;
- i. Poor tools to aid the search and retrieval of documents/files;
- j. Inappropriate storage equipment for vertical space management;
- k. Absence of appraisal and retention schedule for records series;
- l. Poor compliance with regulations that set limit for holding on to records by schedule officers;

- m. Absence of appropriate programme for the management of vital documents;
- n. Inadequate modern equipment to work within the registries;
- o. Obsolete knowledge/skills possessed by registry personnel for meeting the challenges of modern records handling, thereby making the discharge of their duties stressful and frustrating;
- p. A near-complete reliance on paper records by registries as oppose to digital storage;
- q. Inadequate measures for the protection of records from natural and man-made disasters.

In 2006, the Service commissioned a mini-survey on FIRS registries. The survey team identified the challenges listed above as militating against effective and efficient records management in the Service. The findings of the survey team therefore, laid the foundation for the conception of the Records Management and Document Tracking Project. The purpose of the project is anchored in the overall context of the business process re-engineering reform programme of the Federal Inland Revenue Service. The point has been made elsewhere that the objective for the reforms is to re-position the Service to achieve its stated vision, mission and business objectives. The RMDT project became imperative to fashion a holistic approach to overcoming the challenges identified as militating against records management in FIRS. The project focused on the key aspects of a record life cycle: creation, use, retention, storage, access and retrieval and the application of appropriate information technology to record management.

The project is to be in two phases. Phase one would pilot with the central registry, Chairman's confidential filing system and ITOs (which house tax files) to develop an efficient manual filing system to pave way for ease of automation of internal business records as well as leverage on the existing human resource systems by automating specific internal records like biometric data and employee records. Phase two of the project would embark on a full enterprise document management to automate business documents. It also seeks to implement an electronic records management solution in tandem with physical storage on a function by function basis starting with Human Capital Management, Finance and Accounts, Inventory and Procurement and ITAS. The specific objectives of the project are to:

- a. Review the procedure and practices of manual Records Management Document Tracking (RMDT) in FIRS and deploy strategies, design and develop systems/

-
- policies for the effective and efficient storage, retrieval, movement, tracking and protection of all its records in the registries using the appropriate technology.
- b. Reduce cycle time for the retrieval of records to maximum of five minutes.
 - c. Eradicate cases of missing files.
 - d. Review and/or redesign existing classification scheme and all storage/retrieval tools for better efficiency.
 - e. Re-engineer records handling, filling and retrieval process.
 - f. Deploy effective and efficient methodologies and systems for managing FIRS records in all its offices nationwide.
 - g. Implement the storage of records in appropriate equipment (files, arc-lever files, open-ended boxes, archival boxes, shelving units, fire proof shelves/cabinets etc) in all FIRS offices that will ensure effective storage/ retrieval of records as well as project FIRS in a good image that is expected of a modern organisation.

Since its inception, the project has taken steps and initiated strategies on how to address the challenges of record management in the Service. Some of the steps taken include the following:

- a. A draft 'Document Management Guideline for Protecting and Accessing Records' of the Federal Inland Revenue Service has been produced and the approval of Management obtained. The manual is expected to become operational in the near future.
- b. Guidelines on management of the following issues have been produced, pending approval by the Management:
 - i Disaster recovery and prevention strategies for FIRS vital paper
 - ii Storage specifications and short/long term plan for physical files and digital information
 - iii A diagnostic report of existing filing system with recommendations for improvement
 - iv Document in FIRS Registry system and registry files

- c. Introduction of an improved and modern filing system known as Dexion Filing System¹⁰ which is constituted of metal boxes
- d. Improved files retrieval time to maximum of five minutes through the use of Microsoft Excel
- e. Development of a database of all existing files in FIRS
- f. A comprehensive retention schedule of FIRS records series. This will involve identifying records in their series and assigning life span to the records
- g. Creation of archives for all FIRS records
- h. A designated registry structure in all offices and departments in FIRS
- i. Improved manpower development of registry personnel through training and re-training

The orientation with reference to records management and document tracking in FIRS is that of continually reviewing the practice and policy with a view to improve the system of records management and document tracking. It is also intended that the structure put in place will transcend the present state and become compliant to global best practices and standard. Basically, these efforts will result in:¹¹

- a. Further crash down of cycle time for the retrieval of records to a maximum of two minutes or less;
- b. Eradicate all cases of missing files;
- c. Redesign file classification scheme and all storage/retrieval tools for better efficiency;
- d. Ensure the storage of records in appropriate equipments that will not only effectively manage vertical office space but also project FIRS in a good image that is expected of a modern organisation;
- e. Develop a retention schedule to guide the transition of records in the series which will reduce wastage and bring about professionalism in records management;
- f. Have in place strategies or plans for the prevention, preservation and recovery of vital records and continuation of FIRS business in the occurrence of disaster;

- g. Have knowledgeable and skilful registry personnel who effectively and efficiently discharge their duties and responsibilities;
- h. Continuously improve on the guideline for protecting and accessing records as a guide for behaviours, conduct or practice of registry personnel and users of records in the process of records management and document tracking in FIRS;
- i. Automate the records management processes and procedures at the completion of the re-engineering phase of the project.

e-Posting

In an effort to overcome the problems of staff posting from one location to another, the Human Capital Management Department in the year 2005 decided to automate staff posting by coming up with an electronic posting software to carry out this function. This software was designed under the supervision of the former Head of ICT Mr Temple Iheanacho. The key objectives of this software include:

- a. Posting of staff from one location to another after spending an agreed number of years in one location;
- b. Replacing a staff that has been moved out from a particular location;
- c. Adhering to the career path of the individual posted and the individual replacing the vacant position;
- d. Adhering to the level/rank of the individual occupying the vacant position;
- e. Consideration of compassionate posting given to married women.

However, after the e-posting software was deployed, none of the objectives for which it was developed was met. The issue was then kept in-view. The Management of the Service has directed the Human Capital Management Department to carry on with the re-adjustment of the software to meet all the target objectives. It is expected that in the not too distant future, the e-posting software will be incorporated in the FIRS business processes.

e-Procurement

The electronic procurement is the business-to-business, business-to-consumer or business-to-government purchase and sale, supplies, work and services through the internet as well

as other information and networking systems. E-procurement is done with a software application that includes features for supplier management and complex auctions. The Procurement Department of the FIRS is in the process of deploying an e-procurement software. This will work on the principles of the web-based ERP (Enterprise Resource Planning) which involves creating and approving purchasing requisitions, placing purchase orders and receiving goods and services by using a software system based on internet technologies. After deployment, it is expected that most of the procurement processes will be done online and in real-time.

OTHER MODERNISATION PROJECTS

Taxpayer Identification Number

The Taxpayer Identification Number (TIN) is an initiative of the Joint Tax Board and it is basically an electronic system of tax registration, which would be unique to identify taxpayer for life and would be available nationwide. Harmonized national TIN project is a strategic initiative of the Joint Tax Board (JTB) in which a national database of all taxpayers will be created. The project owes its background to the provisions of sections 86 (9) (d) of the Personal Income Tax Act¹² and 8 (q) of the Federal Inland Revenue Service (Establishment) Act, 2007 respectively and they enable State Boards of Internal Revenue and the Federal Inland Revenue Service to collaborate in issuance and administration of Taxpayer Identification Number (TIN) to all taxable persons (individuals and corporate). These provisions were given effect by the constitution of the National TIN Implementation Steering Committee in July 2008 with FIRS, States BIR and other key stakeholders as members by the Joint Tax Board.

The objective of this project is to carry out a successful roll-out and implementation of the Taxpayer Identification Number (TIN) for Nigeria and the development of a related database linked to all relevant stakeholders in tax administration in order to bring Nigeria's tax administration and practice in line with global best practices. The overriding purpose is to ensure a seamless roll-out of the TIN project, which will harmonize taxpayer identification and registration in Nigeria.

A harmonized taxpayer database will create closer linkages between the various institutions in Nigeria and, will aid co-operation, information sharing and increased revenue accruing to

all tiers of Government. Like earlier stated, this project, along with PFACT will eventually culminate into the Bank Payment Process Automation and Taxpayers Database Development Project, BPPA & TDBD, for seamless integration of taxpayer database management and collection functions.

Project Scope

The set up of the core project team including project organisation and a project secretariat covered the following scope:¹³

- a. Development of a work plan, timelines, deliverables, project budget and determination of the sources for the project funding;
- b. Development of a TIN format;
- c. Marketing to obtain buy-in of relevant stakeholders;
- d. Media and publicity for the project;
- e. Systems study and evaluation;
- f. Design and implementation of the TIN, including development of centralised network, database and infrastructure;
- g. National deployment of the harmonized TIN; and
- h. Review and continuous improvement of the system.

Upon completion, the TIN project is expected to yield several benefits to the tax system including:

- a. The introduction of TIN project which will stop the existing loopholes in the tax system in the country;
- b. The TIN project will enhance taxpayer identification and registration thereby bringing/capturing more taxpayers into the tax net;
- c. The introduction of this project will replace the manual registration system which is prone a lot of problems, the electronic system will minimize errors and mistakes associated with manual registration;

- d. The introduction of the TIN project to the tax system will reduce the problem of multiple taxation which has been a major challenge for taxpayers and administrators;
- e. The TIN project will also enhance information sharing among relevant stake holding agencies in the country;
- f. The TIN will engender greater compliance in the tax system because of its accuracy in capturing data of taxpayers; it will minimize cost of tax compliance, thereby enhancing voluntary compliance;
- g. With effective electronic system, it will enable tax authorities collate access, analyse and retrieve data with ease;
- h. Because of its accuracy the system will facilitate a more efficient system of tax assessment and collection as well as tax audit and investigation;
- i. It will enhance voluntary compliance thereby allowing tax authorities to focus on review and verification of claims by taxpayers;
- j. The system will block all leakages in tax collection, eliminate corruption in tax system and enable tax authorities ascertain the actual income and taxes of all registered taxpayers;
- k. It will enhance ICT literacy and capacity building among the SBIRs staff;
- l. It will provide basis for planning and budgeting;
- m. It will widen and deepen taxpayer database;
- n. Overall, it will enhance revenue accruals to all tiers of government.

Taxpayer Enumeration Project

This project was originally conceived and started in 2006 as a component of the Federal Government's reform programme and monitored by the IMF under its Policy Support Instrument for Nigeria. The project ran into challenges and was restarted in 2007 under a three-tier consultancy structure involving one lead consultant, six regional consultants (one for each region) and 16 states' consultants. The objectives of the project were to:

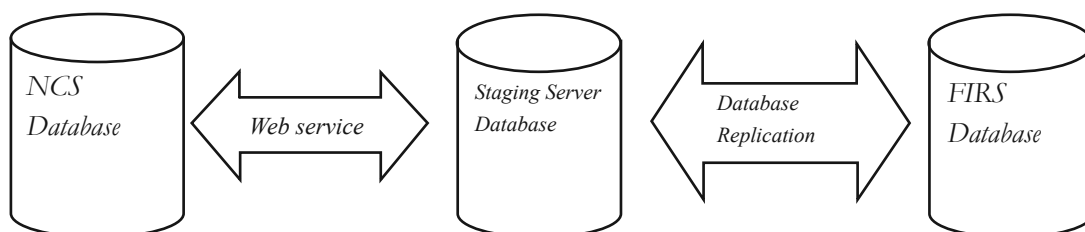
- a. Provide an initial building block for a robust and user friendly National Taxpayers Database.

- b. Provide information to determine the gap between tax assessment and tax yield potentials.
- c. Develop strategies for narrowing the gap between potential and actual taxpayers.

Benefits realisation of the project

- a. Provided a survey report of actual and potential taxpayers across the country, thereby widening the tax net.
- b. Provided an electronic register of taxpayer that complemented the development of national Taxpayers' Identification Number initiative.
- c. Provided the initial building block for the development of a robust and user friendly National Taxpayer Database.
- d. Provided valuable information on regional variations in taxpayers.

FIRS-NCS Integration Project



The Federal Inland Revenue Service-Nigeria Customs Service Integration Project seeks to establish a data exchange interface between FIRS and NCS in real time. With this in place, taxpayer details from the FIRS portal are transported through a communication link (provided by NCS) to NCS server while taxes collected by NCS are also sent to the FIRS portal via the same medium. The hardware and application setup is as shown in the figure above.

The progress made so far on this project is in three areas. First, hardware infrastructures have been setup and tested. Second data exchange between the two revenue agencies have commenced on a minimal scale. From FIRS portal, the following fields are sent as either new inserts or updates to the NCS server via the FIRS staging server:

- a. TIN
- b. TaxPayer Name
- c. Address
- d. RC Number
- e. Business Code
- f. Business Description
- g. Email
- h. Fax
- i. Telephone Number

From the NCS end, the following are sent to the FIRS portal via the FIRS staging server:

- a. TIN
- b. Name
- c. Address
- d. Registration Date
- e. Office (Port of Entry)
- f. Collecting Bank
- g. Amount Assessed
- h. Goods
- i. Taxes, Levies, Duties

Third, applications have been developed and tests have been run according to the prepared test script. Tests results are considered successful as shown in Table 7.1 and Table 7.2 (see appendix for the tables).

Technically, the project objective has been achieved since data exchange has taken place in both directions with no data getting lost as a result of network failure. In addition, a business user interface has been developed on the FIRS staging server, on which data transmission reports can be viewed.

Going forward, the Project Team consisting of FIRS and NCS staff members proposes the following steps:

- a. Taxpayer Identification Number (TIN) would be used to replace current Importer ASYCUDA number for importers on the NCS platform. The 14-digit format for TIN has been adopted for incorporation into the NCS system.
- b. NCS already has officers and men stationed at Port Harcourt, Kano, Abuja and Lagos airports in addition to those field officers covering the sea ports and border points to attend to importers. FIRS should deploy officers as well, to select places with access to create TINs to make the process easier for the importer/taxpayer during the transition period. “One-time” importers would also be required to go through the process of obtaining a TIN for clearance of goods as well.
- c. 31st January 2011 was chosen as the go live date for exchange of production data between NCS and FIRS while 1st March 2011 as the cut off date for compliance. The marketing consultants however, suggested 1st April 2011 as the cut off date.
- d. FIRS would ensure data integrity of the taxpayer information sent to NCS. This is because legal proceedings related to the imports would be based on the TIN provided by FIRS. As such, there should be no duplicates.
- e. FIRS should initiate discussions with CBN to make provision for TIN field on every e-form M alongside the RC field as obtainable now. This would also assist both NCS and FIRS in tracking importers.
- f. FIRS and NCS work together on the joint sensitization exercise
- g. FIRS to provide most of the sensitization materials for use in the exercise
- h. Closure date for the project was set for 31st March 2011. Marketing campaigns continue to run.

The Self Assessment Project

The Self-Assessment System (SAS) is an arrangement in tax administration, under which the taxpayer is allowed to calculate his or her taxable income and the amount of tax payable to the government. Under SAS, taxpayers pay according to how they assess themselves. Due to the growing concern on how best to administer tax so as to encourage voluntary

compliance, many countries (developed and developing) have adopted the SAS solution. The basic future of SAS is that it is the taxpayer rather than the tax authority that is responsible for the assessment of tax liability. The major merits of SAS are three. First, it is more cost effective as it only selects exceptional cases for further scrutiny; second, it eliminates the administrative nature of assessment work; and third it encourages an early and timely collection of taxes and reduces corruption by reducing contact with taxpayers.¹⁴

For SAS to be effective, it must be guided by good legislation, taxpayer education, and public relations among other factors. Studies from other tax administrations have identified the main impediment to SAS as lack of tax education among taxpayers, poor public relations activities and inadequate penalty provisions for errant taxpayers.¹⁵

Although the various tax legislations existing prior to the 2004 reform era contained provisions that contemplated self assessment on the part of taxpayers; these provisions were not adequate to drive the SAS as a central tenet of Nigerian tax system. One of the drawbacks of the erstwhile system was the bonus provision contained in the Companies Income Tax Act, the Personal Income Tax Act and the Petroleum Profits Tax Act for early filing of returns. For example, Section 56 of the Companies Income Tax Act¹⁶ provided that:

A company which files a return under section 53 of this Act within the time specified for the filing of the return shall, if there is no default in the payment arrangement, be granted a bonus of one percent of the tax payable.

Section 45 of the Personal Income Tax Act¹⁷ contained a similar provision in respect of persons subject to personal income tax.

Since the operation of a Self Assessment System recognises that it is the obligation of the taxpayer to assess himself, the need to reward him for complying with that obligation does not exist. Consequently, in the amendments to the Companies Income Tax Act and the Personal Income Tax Act passed in 2007 and 2011 respectively, the one percent bonus for early payment has been repealed. What has been retained is the power of the tax authority to call for further returns, books, documents or information where it deems appropriate, in order to authenticate the returns made by the taxpayer. This power has been retained in all

the income tax laws and also amplified under sections 26 and 27 of the FIRS Establishment Act.

While the above legislative changes provide the needed statutory platform, the Self Assessment System as a project was based on the report of a 2010 survey conducted by the International Monetary Fund on the Nigerian tax system which was submitted to the Service in October, 2010. The executive summary of the report highlighted the vulnerability of, and swings in oil production and pricing system. Based on this finding, therefore, a key priority of government should be to increase the contribution of non-oil tax revenue to the resource envelope. The administration of non-oil taxes in Nigeria was found to be at suboptimal levels and heavily reliant on a resource intensive and ineffective administrative assessment system- all tax returns are subject to 100 percent desk audit, a practice that is out of sync with international tax administration trends that use risk-based approaches. Further, the prerequisites for encouraging voluntary compliance such as taxpayer service and segment-focused compliance management strategies were largely absent.¹⁸ The report of the IMF covered a wide spectrum of areas within the tax administration system. In the area of self assessment, the report recommended that the Service should:

- a. Implement comprehensive outreach programmes to articulate self- assessment concepts to staff and other stakeholders by running at least four start up programmes during 2011;
- b. Appoint a self assessment project manager and team, with clear terms of reference and work plan with deliverable and performance indicators by end-November 2010;
- c. Develop a detailed self assessment strategy and action plan as an integral component of the Modernisation Project, and approved by the FIRS Board by end-January 2011;
- d. Develop a detailed implementation plan, beginning initially with three pilot sites; to wit, Lagos (oil and gas); non-oil and gas Large Taxpayers Office (LTO) and one Integrated Tax Office (ITO) by end –February 2011;
- e. Implement full self assessment in the pilot sites by December 2011.¹⁹

Based on recommendations contained in the Mission Report, the Service set up a Project Team composed of members of staff drawn from diverse backgrounds within the Service on full time basis to implement the project.²⁰ These members are:

- a. C.N. Onyegbule: Team Lead (Deputy Director, Board Secretariat).
- b. Ozavize Winful: (Assistant Director Tax/Taxpayer Service, Tax Operations Group).
- c. Garba A.K: (Senior Manager Tax/Change Management, Corporate Development Group).
- d. Oluwu S. Olatunji: (Manager Tax/Tax Operations, Large Tax Office (Non-oil).
- e. Razaq Lawal Aluko: (Manager Tax/Tax Policy, Tax Policy Department).
- f. Deborah Tarfa: (Deputy Manager/Legal and Prosecution, Legal and Prosecution Department).

The Team has three support staff drawn from Project Management Office, Change Management Office and Information and Communications Technology Department. The IMF on its part supported the project with provision of two consultants at the cost of the Fund. The consultants are Steven Bowen and Berlin Msiska. The project is guided by a Project Initiation Brief which among other items, spells out the objectives, scope, features and functionality of the project. The objectives of the project are:

- a. To ensure both tax officials and taxpayers have a better understanding of the requirements and practice of the self-assessment;
- b. To ensure taxpayers accurately calculate their tax liabilities and submit tax returns on time;
- c. To make sure tax returns submitted to the tax office would be accepted as filed and subjected to administrative checks to ensure that the taxpayer has completed the appropriate items on the return form;
- d. To make available information and support needed by taxpayers to meet their obligations;
- e. To promptly detect and sanction non-complying taxpayers;
- f. To ensure regular audit cycles across taxpayer segments and average audit cycle for the large taxpayers segment;

- g. To ensure selection of taxpayers for audit based on the consistent risk profiling;
- h. To increase customer satisfaction with the provision of quality customer service;
- i. To ensure accountability in all aspects of customer service;
- j. To increase the revenue generation efforts by the Service being more accessible to the taxpaying public that is desirous of paying its taxes, but simply require assistance to make it a simple, convenient, inexpensive and seamless civic exercise;
- k. To help the Service firmly establish itself as leader in the revenue generation landscape of the Federal Republic by providing differentiating services in customer support and taxpayer education to the general public.

The Project Team's scope of work covers three areas. The Team is required to:

- a. Develop a detailed implementation plan across FIRS offices nationwide but initially focusing on three pilot offices (Lagos oil and gas, Lagos non-oil and gas and Ikeja ITO);
- b. Implement comprehensive communication and change management strategies in all FIRS offices nationwide;
- c. Implement full self assessment in the three pilot offices by end of February 2011 and eventually, in all FIRS offices nationwide.

A full self assessment regime as contemplated under the project will include the following features:

- a. A defined and widely understood concept of self-assessment;
- b. Simple and straight forward laws and procedures;
- c. Sufficient information and guidance to enable taxpayers comply with their obligations;
- d. An efficient dispute resolution framework in place for use by dissatisfied taxpayers;
- e. An effective detection system, mandatory penalties and collection enforcement mechanisms for regulatory violations;
- f. A tax department that is transparent in its administration of tax laws and procedures;

- g. Post-filing controls such as risk-base audits, collection enforcement measures and prosecution of evasion to detect and bring non-complying taxpayers to check.

The consultants were involved in the design and standardization of approved Project Initiation Brief for the project and were always available and assisted in the discharge of activities. So far the following work has been accomplished:

- a. Draft Self Assessment Regulations have been approved by the FIRS Management and forwarded to the office of the Minister of Finance whose approval still being awaited;
- b. The Self Assessment Handbook was revised and submitted for Management consideration. Approval is still being awaited;
- c. The Project Team and consultants reviewed and redesigned the self-assessment forms and workflow for Management's consideration and approval;
- d. Then Team and consultants revised the risk profiling criteria and partnered with the Integrated Tax Administration System and included the criteria in the design of the ITAS being procured;
- e. The Team visited Large Tax Office, Abuja, Large Tax Office (oil and gas) Lagos, Large Tax Office (non-oil) Lagos and Ikeja Integrated Tax Office, Lagos to have a clearer understanding of self assessment processes;
- f. The Team submitted its first draft news letter on the inauguration of the Project Team to the Modernisation Department for finalization on 7 April, 2011;
- g. The Team has designed some pamphlets and taxpayer education materials and submitted same for Management approval;
- h. The Team participated at the Regional Enlarged Management Meeting held in Makurdi in June 2011 where the Project Team Leader presented a paper on achieving management strategies for the project in conjunction with support officers from Modernisation Department.

Going forward, the Project Team intends to drive the project to its conclusion by implementing the following next steps:²¹

-
- a. secure Management's approval for the Self Assessment Handbook for printing and distribution to members of Staff of the Service;
 - b. obtain the Minister's approval for the Self Assessment Regulations for implementation at the field/pilot offices;
 - c. continue collaboration with ITAS to ensure all of the self assessment project's input are taken into account and captured;
 - d. meet with the Field Operations Policies and Programmes Department to sensitize them of the approved documents developed by the project for them to circularized accordingly;
 - e. collaborate with Corporate Communication Department and schedule the re-launch of self assessment project in an ECFIRS event;
 - f. conduct another visit to the pilot offices in Lagos for sensitization on approved procedures, processes and work flow;
 - g. update and finalize all pending project and change management issues with the Modernisation Department.

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CHAPTER EIGHT

COMPLIANCE AND ENFORCEMENT

Compliance Strategy

Compliance strategy, within the context of tax administration, refers to all the structural and procedural platforms put in place to ensure that taxpayers fulfil their obligation under the tax laws. This chapter will discuss the different reform structures and processes put in place to enhance compliance with statutory provisions. These are incentives and penalties. Some incentives, such as are granted under the Industrial Development (Income Tax Relief) Act¹ are aimed at stimulating development in certain sectors of the economy while other incentives such as the erstwhile one percent bonus rebate for companies that filed their returns within the stipulated time was aimed at encouraging voluntary compliance. The National Tax Policy, on the recommendations of the Study and Working Groups, has placed caution on the use of tax incentives generally. This partly explains the elimination of the rebate of one percent for taxpayers who file their returns within the time stipulated by law. In place of this, the law has elevated the practice of self assessment as an alternative compliance strategy. The reasoning is that when taxpayers are responsible for determining their tax liability, the incentive to comply voluntarily will be enhanced.

Penalties as a compliance strategy are meant to deter taxpayers from breaking tax laws. The penalties for tax default include fines, prison terms and distraint, seizure or confiscation of property. To enforce compliance, the laws vest the tax authority with powers of investigation and enforcement. Even before the 2004 reforms, section 64 of the Companies' Income Tax Act² empowered the then Federal Board of Inland Revenue, FBIR, to enter any premises where the Board was satisfied that there was "reasonable ground for suspecting that an offence involving any form of total or partial non-disclosure of information or any irregularity or offence in connection with, or in relation to tax, has been committed." The power to enter and search premises of taxpayers still exists and extends to the registered office, any other office of the company or the residence of the principal officer, agent or representative

of the company.³ Sections 77 and 85 further make provisions on the procedure for collection and recovery of tax payable. The purpose of the entry and search provision is to seize and remove “anything whatsoever” that is required for the purpose of arriving at a fair and correct tax chargeable on the company.⁴ Finally, section 86 empowered the Board to distrain the property of any company that failed to pay tax within the time limited by a demand note. Provisions relating to recovery and/or enforcement are replicated in other tax legislations such as the Personal Income Tax Act, the Petroleum Profits Tax Act the Value Added Tax Act and several other enactments imposing tax on any entity.

By the wording of section 8 of the Federal Inland Revenue Service Act 2007, investigation and enforcement activities are subsumed within the core functions of the Service. Section 8 (1) of the Act contains the functions of the Service and regarding investigation and enforcement, the relevant paragraphs are (c), (e) (g) and (h) of subsection (1) of section 8. The paragraphs provide, respectively, that the Service shall:

- a. collect, recover and pay to the designated account any tax under any provision of this Act or any other enactment or law;
- b. in collaboration with the relevant law enforcement agencies, carry out the examination and investigation with a view to enforcing compliance with the provisions of this Act;
- c. adopt measures to identify, trace, freeze, confiscate or seize proceeds derived from tax fraud or evasion;
- d. adopt measures which include compliance and regulatory actions, introduction and maintenance of investigative and control techniques on the detection and prevention of non-compliance.

Deriving from the powers above, the FIRS has put in place institutional strategies to ensure that recalcitrant taxpayers are made to comply with the dictates of tax legislations. Within the context of a structurally re-organized Service, the organs responsible for compliance and enforcement activities are the Tax Operations Group (TOG), the Compliance and Enforcement Group (CEG), the Tax Revenue and Accounting Department, TRAD and the Investigation, Intelligence and Enforcement Unit in the Office of the Executive Chairman.⁵

Tax Operations Group

TOG is said to be the “engine” that drives the Service, the channel through which all the relevant tax statutes are operationalized through the design of appropriate strategies and programmes to ease stakeholders’ compliance burden and bring about an efficient and improved tax delivery services to customers.⁶ TOG key functions are the assessment of persons, including companies and enterprises liable to tax as well as the assessments, collection, accounting and enforcing payment of taxes.⁷ These functions are carried out through the departments and functional units of the Group. The departments are:

- a. Large Taxpayer (Oil & Gas) Department
- b. Large Taxpayer (Non-Oil) Department⁸
- c. Small and Medium Taxpayers Department I (Area 1)⁹
- d. Small and Medium Taxpayers Department II (Area 2);¹⁰ and
- e. FIRS/FCT Department.¹¹

The Support Desks under the superintendence of the Coordinating Director Tax Operations Group’s office are the Integrated Tax Administration System (ITAS) Project; the Debt/ Arrears Management Office (DMO); the Tax Compliance Support Desk (TCSD); the Special Tax Audit Unit (STAU) and the Taxpayers Database Management Unit (TDMU).

Compliance and Enforcement Group

The Compliance and Enforcement Group provides the Service with the platforms necessary to enhance voluntary compliance within the tax system. Its ultimate goal is to ensure that tax revenue collection is enhanced through the mobilisation of the appropriate policy and legal frameworks.¹² Its functions that have effect on investigation and enforcement include:

- a. Ensuring that appropriate policies and guidelines are put in place in order to guide tax administration and encourage voluntary compliance by taxpayers to all tax laws;
- b. The establishment of an enforcement culture that will ensure proper identification of compliance challenges and ensure continuous stream of case referrals for tax audit, process and litigation;
- c. The development and implementation of an annual audit programme for all field audit units;

- d. The development and implementation of strategies that would minimize tax evasion and related crimes both locally and internationally;
- e. The improvement of the enforcement apparatus necessary to reduce the risks of non-compliance among taxpayers.¹³

The above functions are driven by the five departments within the Group which include Field Operations Processes and Programmes Department (FOPPD), Tax Policy Department (TPD), Tax Audit Processes and Programmes Department (TAPPD), Legal and Prosecution Department (L & P) and Criminal Investigations Department (CID).

Tax Revenue Accounting Department

The Tax Revenue Accounting Department (TRAD) is a department within the Support Services Group. The cardinal function of Tax Revenue Accounting Department is to ensure the efficient and timely collection, accounting and reporting of all FIRS taxes and the maintenance of proper database on collections, assessments, arrears, refunds as well as penalties and interests to facilitate easy tracking and referencing.¹⁴ The role of the TRAD as a compliance and enforcement organ is linked to its monitoring of payments by taxpayers and its responsibility to process claims for tax refunds for deserving taxpayers.

Investigation, Intelligence and Enforcement Unit

The role of the unit is to investigate, enforce and prosecute tax frauds and other related offences to effectively achieve the organisational goal in addressing petitions from the ECFIRS or any other relevant source.

COMPLIANCE AND ENFORCEMENT GROUP (CEG) ACTIVITIES

In order to achieve cohesion in the implementation of organisational goals, the various Groups and Departments involved in compliance and enforcement activities strive to build synergy in the performance of their duties. In appropriate cases, the Tax Operations Group refers cases of default of payment of tax to the Compliance and Enforcement Group to be handled by the Legal and Prosecution Department. Similarly, activities of the Field Operations, Policies and Programmes Department may generate audit exercises to be anchored by the Tax Audit, Processes and Programmes Department. Collectively, therefore,

these organs of the Service have carried out the following activities towards enforcing taxpayer compliance:

- a. Monitoring of arrears levels to reconcile and recover the sums due: In 2009, the statistics showed that the amount of tax arrears owed by Ministries, Departments and Agencies (MDAs) of the Federal Government stood at N41,293,794,038.29. Out of this amount, the sum of N3,828,216,328.40 was recovered as at the same date leaving an outstanding balance of N37,465,577,709.89. These figures are inclusive of principal, penalty and interest.¹⁵
- b. Reconciliation of arrears level: In 2010, the total arrears level was reconciled for the first time. As at December 2010, total tax arrears stood at N161 billion from the N246 billion as at December 2009. This translated to a 30% reduction in the arrears level.¹⁶
- c. The Special Tax Unit in the TOG has been responsible for the audit of 16 companies which resulted to an additional assessment of N13 billion out of which N9 billion was collected.¹⁷
- d. Taxpayer education and awareness campaigns: This is done through various programmes and platforms to enlighten taxpayers on their rights and obligations under the law. Taxpayer education also aims at providing answers and support to taxpayers to reduce compliance burden.
- e. Investigation: In 2006, the Criminal Investigation Department commenced the investigation of companies in the oil industry. The investigation of Chevron Group and Nigerian Agip Oil Company (NAOC), Nigeria Liquefied Natural Gas (NLNG) and TSKJ led to high tax yield. In 2008 and 2009, Daimler Chrysler (the parent company of ANAMCO Nigeria), Siemens Nigeria and its parent company Siemens AG were investigated. In 2010, CID conducted field investigation on 29 cases during the year and amongst the companies investigated were Multichoice, Daewoo Nigeria Limited and Julius Berger Nigeria Plc. These investigation activities have brought some major issues to light to which the Service has tailored strategies to address. Some of the issues discovered through investigation of these taxpayers are as follow:

Excessive Claim of Petroleum Investigation Attraction (PIA)

From the investigation of the oil companies, it was revealed that the companies in the industry were claiming PIA at rates higher than those prescribed by the Petroleum Profit Tax Act.¹⁸ This led to the raising of extra Notices of Assessment by FIRS to recover the excess claims and so far \$146, 788, 811 have been recovered while \$762, 619, 967 is still in dispute.

Misapplication of VAT Reliefs in LNG Act

The NLNG Act granted some incentives to the company for the construction of its plants in Bonny Island. One of the tax incentives granted is the exemption of the company's imports of machinery, equipment, components etc necessary for the building of the plants from payment of VAT. The investigation revealed that the company in claiming the incentive for VAT exemption on imports, included purchases that are not for the building of the plants and do not qualify to be taken cognisance of in the computation of exemption.

Improper Payment by Telecommunication Infrastructure Providers

The investigation further revealed ingenious schemes employed by foreign companies in colouring their Nigerian incomes as offshore incomes so as to evade Nigerian tax and deny the nation legitimate tax revenue.

Tax Collection/Arrears Levels

The activities of CID have also contributed to the reduction of the tax collection/arrears levels. The department collected N7.05 billion in 2005, N18.1 billion in 2006, N5.74 billion in 2007, N2.5 billion in 2008, N3.8 billion in 2009 and N20.7 billion in 2010. As at December 31, 2010 CID had an outstanding assessment of N148.5 billion out of which N138.7 billion is in dispute while the remaining N9.8 billion is to be collected in 2011.

There have been series of changes, more in composition and focus rather than structure in the Compliance and Enforcement Group. For example, the erstwhile Tax Audit Department has been renamed the Tax Audit Processes and Programmes Department (TAPPD). In 2011, the Criminal Investigation Department was excised from the Group and re-aligned with the Investigations and Enforcement Unit of the Chairman's Office Group; at the same time,

the Taxpayer Service Policy, Processes and Programmes Department (TSPPPD) was created and brought under the CEG. The essence of the new department is to drive satisfactory taxpayer service delivery, especially at the field office levels. Both the Integrated Tax Administration (ITAS) and Self Assessment Projects have also been unloaded to the Group lately in 2011.

CEG Strategies

Strategies employed by the Group in its activities are primarily aimed at engendering voluntary compliance. The strategies include:

- a. Constructive engagement with stakeholders to provide information and technical support to vexing issues.
- b. Focusing on debt prevention rather than debt management through proactive initiatives which are aimed at reducing the accumulation of tax arrears
- c. Reviewing and monitoring field processes and procedures in order to ensure compliance with set standards thereby improving the quality and timeliness of tax delivery services.
- d. Initiating the review and re-launch of the Self Assessment tax regime in order to promote voluntary compliance at the least cost.
- e. Simplifying and harmonizing all tax legislations to eliminate or minimize errors arising from multiple interpretations and provide easy access to tax information.
- f. Ensuring compliance at government levels through active and intensive collaborate with Office of the Accountant General of the Federation, States, Local Governments and MDAs.
- g. Continuous training of staff on the use of standard operating procedures and manuals to support consistency in the application of tax laws and treatment of taxpayers.
- h. Effective collaboration with the leadership of the National Assembly for the facilitation of the passage of tax-related Bills.
- i. Working with the Federal Ministry Finance in the development and launching of the National Tax Policy.

One of the tools adopted by the Management in 2010 for measuring effective performance of each Group is the use of Key Performance Indicators (KPIs). The Group's KPIs, which are derived from the overall corporate goals and objectives, are cascaded to the Departments and each Department's performance level is then measured against the approved KPIs. The Group is measured on the basis of totality of scores of the Departments making up the Group. Another performance measuring tool adopted is the Staff Performance Evaluation Reports through which each staff's performance is assessed on an annual basis. These performance measurement tools are used for all other Groups in the Service.

Key Focal Areas Going Forward

The creation of the Taxpayer Service Policies, Processes and Programmes Department (TSPPPD) is to ensure that taxpayer engagements are effectively coordinated and regulated thereby assuring efficient service delivery to taxpayers and other stakeholders. Other focal areas for CEG activities in the short to medium term include:

- a. Re-organizing and strengthening the various Departments/Units in a functional manner to ensure effectiveness.
- b. Organising Stakeholders' fora on industry/professional basis.
- c. Carrying extensive tax compliance research on key sectors of the economy in order to reduce the tax gap.
- d. Improving the level of collaboration with MDAs and other tax jurisdictions in the area of exchange of information.

INVESTIGATION AND ENFORCEMENT ACTIVITIES

The Investigation, Intelligence and Enforcement Unit is a metamorphosis of the "whistle blower", a unit that was created to provide direct access to the top Management with information of fraudulent activities among employees of the Service as well as collusion between employees and taxpayers to defraud the Service and/or the nation. While the Legal and Prosecution Department enforces payment of tax against recalcitrant taxpayers through the Tax Appeal Tribunal, the Investigation, Intelligence and Enforcement Unit is responsible for invoking criminal sanctions against persons guilty of sundry tax offences. Some of the activities of the unit are presented in the table below.

S/ N	Parties/ Suit No	Background/Claim	Status/ Remark
1	FRN v. Oladele Okunowo FHC/L/ 374C/2009	Counterfeiting of Companies Income Tax Clearance Certificate	Convicted on February 2, 2010. Sentenced to fine of N200, 000 or serve a term of imprisonment for six (6) months. The convict has complied
2	FRN v. Odo Uduadu FHC/ EN/ CR/ 59/2009	Counterfeiting of Companies Income Tax Clearance Certificate	Convicted on May 11, 2010. Sentenced to fine of N360, 000 or to serve a term of imprisonment of two (2) years
3	FRN v. John Hule Kator FHC/ MK/ 01/ 2010	Counterfeiting of Companies Income Tax Clearance Certificate	Convicted on June 4, 2010. Sentenced to one (1) year imprisonment without option of fine
4	RN v. Yinka Oloyede FHC/KD/164C/2009	Counterfeiting of Companies Income Tax Clearance Certificate	Convicted on February 2, 2010. Sentenced to fine of N800, 000. Convict has complied
5	FRN v. Enelichi Luke & Jude Anucha FHC/ABJ/ 93/2010	Counterfeiting of Companies Income Tax Clearance Certificate	2nd accused was convicted on May 18, 2010 and sentence to fine of N500, 000 or to serve a term of imprisonment of two (2) years
6	FRN v. Fredrick Sunday & Chuks Onyeabor FHC/ABJ/ 84/2010	Conspiracy and counterfeiting of Companies Income Tax Certificate	1st accused was convicted on May 18, 2010 and sentenced to fine of N60, 000 or to serve a term of imprisonment for five (5) months 2nd accused on court bail
7	FRN v. Solomon Avwenagbiku & 2 Ors. FHC/ABJ/83/ 2010	Conspiracy and counterfeiting of Companies Income Tax Certificate	1st accused was convicted April 23, 2010 and sentenced to a fine of N65, 000 or to serve a term of imprisonment of five (5) months
8	FRN v. Skye Bank Plc. & 4 Ors. FHC/MKD/ CR/33/2010	Conspiracy and counterfeiting of Companies Income Tax Certificate	3rd accused was convicted on December 7, 2010 and sentenced to a fine of N100, 000 and three (3) months imprisonment

S/ N	Parties/ Suit No	Background/Claim	Status/ Remark
9	FRN v. Kenneth Iwueke & 2 ors FHC/ABJ/85/2010	Conspiracy and counterfeiting of	3rd accused was convicted on March 30 and sentenced to a fine of N390, 000 or a term of imprisonment for 26 months
10	FRN v. Skye Bank Plc. & 7 Ors. FHC/MK/CR/34/2010	Companies Income Tax Certificate	7th and 8th accused (James Olufemi Uwalaka and Deji Sanni) was convicted on January 25, 2011 and was sentenced to eight (8) months imprisonment and a fine of N200, 000 as well as pay N100, 000 and N50, 000 proceeds of crime which they respectively benefitted back to FIRS
11	FRN v. EM West Africa Ltd. & 3 Ors. FHC/L/332C/2009 FRN v. EM West Africa Ltd. & 3 Ors. FHC/L/332C/2009	Conspiracy and forgery, fraudulent diversion and stealing Tax evasion, failure to file returns	Total liability of accused assessed as N648, 333, 058. N179, 98, 596.36k has been paid to FIRS through tenable credit notes For the balance, the 1st accused agrees to pay up outstanding N433, 350, 462.31 to FIRS within 24 calendar months by instalments of N18, 056, 269.26 commencing from January 2011
12	FRN v. Zain Global Concepts Ltd & Anor. FHC/ABJ/131/2009	Conspiracy and counterfeiting of Companies Income Tax Certificate	1st and 2nd accused convicted and sentenced to pay fine of N500, 000 and N400, 000 to the FG through the Federal High Court in lieu of seven (7) years imprisonment
13	Idowu Akpanisile v. FRNCA/IL/M.65/2010	Conspiracy and fraudulent diversion of FIRS cheques amounting of N4, 558, 283.46	Appealed dismissed and bail application was refused on February 24, 2011. Accused remanded in prison custody pending the final determination of the case at the trial court
14	Olubenga Adeniyi v. FRNCA/IL/M.66/2010	Same as above	Same as above

S/ N	Parties/ Suit No	Background/Claim	Status/ Remark
15	FRN v. Isah Kabir & Anor. FHC/ABJ/30/ 2009	Conspiracy and counterfeiting of Companies Income Tax Certificate	Case was struck out on March 10, 2011 as a result of prosecution's inability to locate accused and serve process
16	Executive Chairman, Federal Inland Revenue Service v. MTN Nigeria Limited FHC/ABJ/CS/07/11	Criminal conspiracy, bribery and fraud using MTN No: 08033147494 Application via motion ex parte for call log between August 2010 till date	MTN ordered to furnish the applicant with MTN Communication call logs of MTN subscriber with GSM no. 08033147494 made from August 2010 till date
17	Executive Chairman, Federal Inland Revenue Service v. MTN Nigeria Limited FHC/ABJ/CS/07/11	Criminal conspiracy, bribery and fraud using MTN No: 08035603323, 08038283761 and 08035602323 Application via motion ex parte for call log between October 1 – 31, 2009	MTN ordered to furnish the applicant with MTN Communication call logs of MTN subscribers with GSM nos. 08035603323, 08038283761 and 08035602323 between October 1 – 31, 2009
18	Executive Chairman, Federal Inland Revenue Service v. VISA Nigeria Limited FHC/ABJ/CS/ 154/11	Criminal conspiracy and fraud using VISA No.: 07042030999 Application via motion ex parte for call log between August 2010 till date	VISA Nigeria Limited ordered to furnish the applicant with VISA Nigeria Limited call log from August 2010 till date
19	Executive Chairman, Federal Inland Revenue Service v. MTN Nigeria Limited FHC/ABJ/CS/367/ 11	Criminal conspiracy and fraud using MTN No.: 0803452222 and 08033011406 Application via motion ex parte for call log from January 2011 till date	Motion moved by counsel and was granted as prayed on March 4, 2011
20	FRN v. Oyewole Adewale Victor & 2 Ors. FHC/ABJ/ CR/173/2010	Forgery, counterfeiting of tax clearance certificates and value added tax certificates	2nd accused was convicted on April 7, 2011 and sentenced to a fine of N150,000 on April 11, 2011
21	FRN v. Ran Yaks Nigeria Limited & 7 Ors. FHC/ MKD/CR/33/2010	Conspiracy, forgery, impersonation of staff, uttering	On February 1, 2011 the court ordered that the subject matter of the charge (N31,410,600) to be moved from Union Bank Idah Branch and be kept at

S/ N	Parties/ Suit No	Background/Claim	Status/ Remark
22	FRN v. Francis Onobun & Anor. FHC/ABJ/CS/06/11	Conspiracy, counterfeiting and forgery of Company Income Tax Clearance Certificates	Zenith Bank Makurdi Branch for safe custody pending the final determination of the caseCase adjourned to May 16, 2011 for trial
23	FRN v. Peter Idezi & 4 Ors. FHC/ABJ/152/2009	Conspiracy and counterfeiting of Companies Income Tax Clearance Certificates	Convicts were fined N130, 000 respectively and if in default of payment to a term of two and half years imprisonment on May 20, 2011 1st, 2nd and 3rd accused convicted and sentenced each to a term of one year imprisonment or a fine of N50, 00 in lieu of imprisonment4th and 5th accused were discharged and acquitted
24	El'mone Nigeria Ltd v. FIRS FHC/ABJ/CR/306/2010	Plaintiff's claim was for N2, 000, 000, 000 for breach of contract and N100, 000, 000 being money already expended towards execution of the contract	Plaintiff filed a Notice of Discontinuance of the case on November 4, 2010 and the court struck out the case on April 13, 2011

Compliance and enforcement is at the centre of the mandate of the Service. The theme for the Regional Enlarged Management Meeting held in July 2011 in Makurdi, Benue State, was “closing the compliance gap through self assessment.” Papers were presented and interactive sessions held towards ensuring that the thematic conception of the REMM translates into concrete results. While self assessment is just one of several strategies for enhancing compliance, the theme of that REMM underscores the commitment of the Service towards deploying all necessary platforms and mechanisms to promote compliance to the various tax laws in the country.

References

- 1 Cap I7 Laws of the Federation of Nigeria 2004.
- 2 Cap C21 Laws of the Federation of Nigeria 2004.
- 3 Ibid section 64 (1) (a) & (b).
- 4 Ibid section 64 (3).
- 5 The first two groups as well as Corporate Development and Support Services Groups are a product of the 2007 FIRS organisational restructuring which led to the adoption of the group system in FIRS. COG was created in 2010. See Onyekachi, I, 'Overview of the Activities of the Compliance and Enforcement Group', being a presentation at the Induction Ceremony of New Staff of FIRS Induction held in September, 2010 at Abuja.
- 6 Ogungbesan, S.S: 'Overview of Tax Operations Group', being a presentation at the Induction Ceremony of New Staff of FIRS September, 2010.
- 7 Ogungbesan, S.S: 'Reach-Out Strategy to our Valued Taxpayers/Agencies' being Tax Operations Group presentation at the FIRS-CBN Meeting/Parley on Tax Revenue Accounting on March 28, 2011.
- 8 Large Tax Offices (LTOs) are in charge of large taxpayers. The threshold for qualifying as a large taxpayer is a turnover of N1 billion.
- 9 It is responsible for the supervision of Regional Coordinators in South-South, North Central, North East and North West Regional headquarters who in turn oversee the activities of 38 Integrated Tax Offices (ITO) spread in the four regions.
- 10 It is responsible for the supervision of Regional Coordinators in Lagos Island, Lagos Mainland, Eastern and Western Regional headquarters who in turn oversee the activities of 37 ITOs spread in the four regions.
- 11 It is responsible for supervision of ITOs with the Federal Capital Territory, the Special Tax Office for high net worth individuals and the One Stop Investment Centre situated at Nigeria Investment Promotion Commission (NIPC).
- 12 Ihedioha, Onyekachi, op. cit.

- 13 Ibid.
- 14 Okoroafor, F N, 'Tax Collection Procedures at FIRS: TRAD Perspective', being a presentation at the Induction Ceremony of New Staff of FIRS September, 2010.
- 15 Magam, U. M., 'Amounts Recovered During and After the PAC Hearing: January , 2008 to March 2009.' Being a memo (Ref. No.: LTO/ABJ/FDEA/TOG/09) to the Acting Coordinator Director, Tax Operations Group, April 30, 2009.
- 16 See Ogungbesan, S.S, 'Tax Operations Group Annual Performance Report (January–December 2010).' Being a presentation at the FIRS Enlarged Management Meeting, Transcorp Hilton Hotel Abuja, 2nd -4th March 2011.
- 17 Ibid.
- 18 Cap P13, Laws of the Federation of Nigeria 2004.

CHAPTER NINE

TAXPAYER SERVICES AND DELIVERY STANDARDS

Service Compact with Nigerians (SERVICOM): The FIRS Experience

At the inauguration of the fifth National Assembly of the Federal Republic of Nigeria in June 2003, President Olusegun Obasanjo declared:

Public offices are the shopping floor for government business. Regrettably, Nigerians have for too long been feeling short-changed by the quality of service delivery by which decisions are not made without outside influence and files do not move without being pushed with inducements. Our public offices have for long been the showcases for the combined evils of corruption, whilst being impediments to effective implementation of government policies. Nigerians deserve better. And we will ensure they get what is better.¹

The concern expressed by the president led to the commissioning of a diagnostic survey on public service delivery in December 2003. The report of the survey which was published in February 2004 found that:

- a. Public services are not meeting peoples' expectations: they are inaccessible, poor in quality and service providers are indifferent to customer needs.
- b. Public confidence is poor and institutional arrangements are confusing and wasteful.²

The report went further to recommend "a far reaching transformation of Nigerian society, through a Service Delivery Programme as a step in the progress of moving to a government that is more in touch with the people." In order to chart a new way forward, a Presidential Retreat was convened by President Obasanjo in March 2004 to deliberate on the findings of the diagnostic survey and develop a strategy for serving Nigerians better. One of the recommendations of the retreat, which was accepted by the Federal Government, was to

establish a Service Compact with all Nigerians. This marked the birth of SERVICOM. The Government proclaimed a social service contract with the people of Nigeria and dedicated itself “to providing the basic services to which each citizen is entitled in a timely, fair, honest, effective and transparent manner”³

The compact is an initiative of Government designed to transform the society as it encourages Government as a service provider to live up to expectations and the citizens as service takers to ask for better services from public agencies. SERVICOM is anchored on the principles of:

- a. Conviction: that Nigeria can only realize its full potentials if citizens receive prompt and efficient services from the state
- b. Renewal: of commitment to the Nigerian nation
- c. Consideration: for the needs and rights of all Nigerians to enjoy social and economic advancement
- d. Avowal: to deliver quality services based upon the needs of citizens
- e. Dedication: to providing the basic services to which each citizen is entitled in a timely, fair, honest, effective and transparent manner.

Building on these principles, individual citizens are ultimately responsible for the needed transformation of service delivery in Nigeria, whether as service givers or service takers. To drive this home, the Secretary to the Government of the Federation (SGF) issued a directive that all Ministries, Departments and Agencies of the Federal Government must open SERVICOM units to domesticate the above principles and drive forward the objectives of SERVICOM.

FIRS and SERVICOM

Prior to the domestication of SERVICOM principles in the Service, effective service delivery was subsumed under discipline and punishment functions which were vested in the Human Resources Department. To ensure staff of the Service were up and doing in their obligations to the public, strategies such as attendance and movement registers were put in place to

track truant officers. Further, issues such as sleeping on duty, absenteeism, nonchalant attitude to duty etc, which were at the heart of poor service delivery, were treated in accordance with the relevant provisions of the Public Service Rules. As part of the reform process that witnessed series of organisational restructuring, the new Management of the Service saw a need to dedicate an organ of the Service whose focal drive would be service excellence and quality delivery. Therefore, even before the formal launch of SERVICOM by the Federal Government in 2005, the Federal Inland Revenue Service had established the Quality Assurance/Change Project Coordination Division to drive the Service's commitment towards the provision of quality service to taxpayers. This was the position when by a circular dated 10 March 2005 with reference number SGF.19/S.48/C.2/283⁴ the SGF directed that all MDAs must open SERVICOM Units to drive the SERVICOM programme as agreed by the Federal Executive Council. In compliance with the directive, FIRS created a SERVICOM unit under the oversight of the Quality Assurance/Change Project Coordination Division, headed by Mr A. S. C Amahwe who was thereby appointed the FIRS SERVICOM Nodal Officer. In addition to coordinating SERVICOM activities in the Service, he also collaborated with the Ministerial Nodal Officer of the Federal Ministry of Finance.⁵ Other focal officers were appointed down the line to assist the Nodal Officer in the discharge of his duties. These pioneer officers of the unit set the background work as mandated by the SERVICOM Office in the Presidency.

Immediately it came on board under the QACPCD, the SERVICOM Unit embarked on activities to improve the outlook and quality of service in the organization. Some of the activities led to the:

- a. development of a Service Charter;
- b. sensitization lectures on SERVICOM for FIRS staff;
- c. improvement on office infrastructure to meet SERVICOM standards e.g labeling of office doors/canteen, repairs of broken down facilities in the staff canteen and toilets;
- d. setting up of SERVICOM front desk at the reception areas; and

- e. removal of broken down and unserviceable vehicles from the premises of Revenue House

In August and September 2006, the SERVICOM Compliance Evaluation Team visited Revenue House Abuja and FIRS offices in Kaduna and Lafia. At the formal presentation of the evaluation report on 21st November, 2006, FIRS was commended for enthroning most of the SERVICOM mandates. The Service scored 62.50 percent and was ranked three Star (***) out of a maximum of four stars. Certain shortcomings were however, pointed out and the following recommendations were made towards addressing the shortcomings:

- a. Standard response time for attending to complaints should be defined to ensure promptness and speed of response to customers complaints.
- b. Written guidelines and standards should be provided for customer care in all service windows. This will ensure that the customers are not only perceived as king but are treated as such.
- c. Adequate and comfortable waiting areas should be created for customers and facilities such as good seats, television sets and air-conditioning units should be provided in those waiting areas.
- d. Standard for waiting times and appointments should be clearly spelt out in a document for all services provided
- e. The integrated and local Charters of FIRS should be displayed at all service windows and frontlines for customers to have better knowledge of the available services, their obligations as well as expectations from the Service
- f. The costs and payment procedures should be clearly displayed at all service frontline in form of colourful posters.
- g. Appointment procedures should be clearly detailed at all service frontlines to forestall the incidence of some customers being given preferential treatment at the expense of others

- h. Frontline staff should be trained on customer care and complaints handling to ensure all customers are treated with courtesy and decorum.

In response to the recommendations arising from the evaluation report, the FIRS SERVICOM Unit was restructured in February 2007 into three sections namely; Charter Development, Customer Relations/Complaints and Service Improvement. The key functions of the restructured unit were spelt out follows:

- a. To spearhead the FIRS Service delivery initiative through enduring compliance with set standards
- b. Serve as link between FIRS and SERVICOM Office
- c. Prepare and submit reports of SERVICOM activities to the FIRS Management and SERVICOM Office
- d. Production, review and monitoring compliance with the Service integrated charter
- e. Oversee the reception areas
- f. Receive, analyse and publish complaints
- g. Disseminate best practices and other tips on service delivery improvement within the Service
- h. Conduct market research to identify customer needs and expectations etc

The SERVICOM unit continued to function under the Quality Assurance Division until 1st June, 2007 when as part of the continuous realignment of structures and processes necessitated by the reform agenda, the Internal Affairs Department was created.⁶ The Internal Affairs Department is a fusion of four erstwhile functional areas namely; Quality Assurance Division, the Internal Audit, Stock Verification Unit and SERVICOM Unit. The FIRS Management was of the opinion that merging the four functional areas under a new department whose mandate was to act as a watchdog of the Service would give better coordination to the activities of the units and ensure more qualitative service delivery.

In August 2008⁷ SERVICOM Unit and Taxpayer Services which hitherto, existed under the Tax Operations Group were merged as one unit and ceded to the Corporate Communications Department; an arrangement that is in place till date. The fusion of the two erstwhile units became pertinent considering that their respective functions rotated around service delivery to taxpayers. The merger slightly changed the functions hitherto performed by SERVICOM. Rather than focusing exclusively on service delivery, the mandate of the new unit was expanded to ensure that improvement in service delivery translated to voluntary compliance by taxpayers. The new SERVICOM Unit has three sub-units viz:

- a. Programme Development Monitoring and Evaluation;
- b. Customer Relations and Complaints;
- c. Taxpayer Education Policy and Strategy.

The Programme Development, Monitoring and Evaluation (PDM&E)

The PDM&E has as its core function the development of integrated and departmental Service charters and the monitoring of the implementation of the charters throughout the organization. In addition, the sub-unit is responsible for:

- a. Identifying service delivery gaps;
- b. Addressing service delivery gaps through the organization of appropriate programmes;
- c. Weekly collation of Management Information Systems (MIS) for the Department for onward transmission to the office of the Executive Chairman.

Customer Relations and Complaints

The Customer Care sub-unit is responsible for ensuring the retention and handling of customer complaints/enquiries in order to meet taxpayers (customers) needs and expectations. Other responsibilities of the sub-unit include:

- a. Supervision of reception areas of all FIRS offices;
- b. Enlightenment of customers on FIRS complaints procedure;
- c. Development and publication of a customer care policy of the FIRS;
- d. Circulation of customer complaints/feedback procedure to taxpayers/staff;

- e. Investigation and analysis of complaints by taxpayers/staff in order to ascertain trends;
- f. Interfacing with complainants actions taken on their complaints and determining how best those complaints can be addressed;
- g. Maintenance of records of all complaints, comments, compliments and suggestions by taxpayers/staff and follow up through the relevant service windows.

Taxpayer Education, Policy and Strategy Sub-unit

The essence of taxpayer education programmes is to ensure that through the provision of better services, taxpayers are assisted to comply with tax laws. The overall objective is to ensure voluntary compliance and minimize tax evasion and avoidance. Taxpayers equally need to know their rights and obligations under the law. In order to drive forward the above objectives, the sub-unit is vested with responsibilities to:

- a. regularly interface with the taxpaying public with a view to articulating and updating taxpayer education needs;
- b. identify the most effective channels of taxpayer education;
- c. prepare manuals, brochures and circulars for field officers;
- d. assist in the formulation of taxpayer education policy;
- e. collaborate with other units in CCD in providing content of sensitization programmes that will be carried out for improved service delivery in FIRS;
- f. in collaboration with the CCD, the to provide content of relevant printed education and informative materials to taxpayers.

FIRS SERVICOM Policy

The SERVICOM policy thrust in FIRS is “Do in the right way what you are employed to do.”⁸ This implies that all employees should justify what they are employed to do and should also be passionate about it. The policy employs strategies that would ensure quality service to taxpayers and other agents, auditors, accountants and the general public on tax matters.

It seeks to create a tax system that is easy, understandable and less cumbersome for taxpayers. Ultimately, the objective is to create a tax friendly environment that will enhance friendship and voluntary compliance.⁹

SERVICOM Methodology

SERVICOM method of operation uses persuasion as a major tool to achieve quality service delivery, bearing in mind that the customer is the king. To achieve this, the Unit adopts this method right from formulation to implementation of programmes. Right-base approach is used in identifying service gaps and service improvement strategies provided in a persuasive but assertive manner.

Processes

The SERVICOM processes are assemblage of activities that would guarantee quality service delivery in the Service.

Programmes

SERVICOM Unit organizes programmes that are considered necessary to improve service delivery. These programmes include: training for front desk officers, sensitization workshops for SERVICOM focal persons from various units/departments in FIRS to acquaint and remind them of their job functions as well as address challenges militating against quality service delivery at their various service windows. SERVICOM local committee meetings which are held quarterly are deliberately focused on issues bordering on quality service delivery in FIRS.

Achievements

Overall, through the activities of its various sub-units, the SERVICOM unit has been able to record substantial achievements towards enhancing service delivery in Federal Inland Revenue Service. Some of the key achievements in this area are as listed below:

- a. With the support of Management, a befitting reception area with state of the art gadgets, full ambience and an exquisite customer waiting area that guarantees customer comfort and relaxation has been put in place at Revenue House.

- b. Benchmarking of set objectives through the development of Service Implementation Plan, SIP, FIRS SERVICOM integrated charter and FIRS work ethics. The FIRS Ethics was developed and produced in various forms such as almanacs, fliers, and table calendars and distributed to all tax offices nationwide to educate staff ethical conduct required of FIRS staff.
- c. Revenue House/Annex office were signposted with name and number tags for easy identification by both taxpayer and stakeholders that would visit the office for one form of service or the other.
- d. Various complaints/enquiries were received from customers through e-mails, phone calls and SMS and these were attended to with dispatch while those beyond the unit were forwarded to relevant departments for necessary action.
- e. Monitoring, evaluation and sensitization of FCT tax offices and field offices was carried out within the period. Service gaps were addressed.
- f. Compliance with FIRS Service Charters was monitored
- g. In order to improve staff on the job performance, nationwide training programme for front desk officers was organized and conducted simultaneously in two venues (Ibadan and Minna) for southern and northern regional offices respectively.

Taxpayer Service, Policy, Process and Programmes Department

The Taxpayer Service Policy, Process and Programmes Department (TSPPPD) was established in April, 2011. The formation of the department was based on the recommendation of the IMF Mission, the Economic Reform and Governance Project (ERGP), which reviewed the self assessment procedures as they applied to taxpayers' relationship with the FIRS. The recommendation was based on the finding that the erstwhile structure did not support seamless coordination to ensure the best possible relationship between taxpayers and the FIRS. There were variances, sometimes marked, in the way and manner education, information and assistance was provided to taxpayers at different ITOs. The units also seemed to focus more on taxpayer registration and Taxpayer Identification Number (TIN) generation than actually gauging the taxpayers' needs. Therefore, the IMF mission recommended that the taxpayer services function be made a headquarter function.

The reorganisation of the system is therefore such that common taxpayer services and processes are designed at the headquarters and feedback directed back to the headquarters accordingly. The principal aim of the formation of the TSPPPD is to streamline customer service to taxpayers so as to evolve a more systematic, vibrant and service-wide approach to adequately sensitising taxpayers about the intricacies and requirements of meeting their tax obligations. The responsibilities of the TSPPPD are as follows:

- a. To develop policies, oversee and evaluate the provision of taxpayer services at field offices;
- b. To identify taxpayer service needs in collaboration with the Tax Operations Group (TOG) of the Service and develop strategies to ensure that those needs are met;
- c. To ensure effective engagement with stakeholders such as trade associations, taxpayer groups, professional groups and others, in collaboration with the TOG for the purpose of gathering feedback and broadening the tax base;
- d. To develop taxpayer education programmes for implementation by the Taxpayer Service Units;
- e. To develop modes of providing assistance to taxpayers through call centres, telephone facilities and other electronic means;
- f. To develop the contents of taxpayers' guides on tax matters for the use of taxpayers, thereby proactively filling the gaps in tax administration;
- g. To accumulate and disseminate frequently asked questions and answers;
- h. To facilitate the training of taxpayer service personnel in the field offices;
- i. To set and monitor the effective implementation of standards in taxpayer service and to ensure that corrective measures are put in place with regard to observed gaps and deviations from set standards.
- j. To inculcate in the TSPPPD a positive attitude through identification of the training needs of staff of the department; development of operational work plans for the department; allocation of functions to staff as well as assigning key performance

indicators (KPIs) to individual staff; and holding regular departmental meetings with members of staff of the TSPPPD to evaluate activities/progress.

Structure of the Taxpayer Services, Policies, Processes and Programmes Department

The TSPPPD is a department under the Compliance and Enforcement Group. The Department is structured along the lines of Taxpayer Education, Taxpayer Information and Taxpayer Assistance. The Taxpayer Education arm of the department shall be concerned with designing taxpayer education programmes by employing the use of workshops and seminars, tax clinics, television and radio talk shows and similar channels. Taxpayer Education shall also:

- a. Develop, review and update materials for taxpayer education;
- b. Simplify and translate tax laws and policies;
- c. Design annual tax education action plans; and
- d. Monitor and evaluate the execution of programmes.

The Taxpayer Information arm of the department will be involved in:

- a. Designing taxpayer information management programmes;
- b. Designing and developing taxpayer information for print and electronic media;
- c. Designing and developing medium and long term taxpayer information for the FIRS website, roadside billboards and front office wall posters;
- d. Designing and managing taxpayer awareness impact assessment surveys;
- e. Designing and developing publications such as brochures, pamphlets and handbills;
- f. Reviewing and developing simplified tax forms; and
- g. Monitoring and evaluation of the execution of programmes.

The Taxpayer Assistance arm of the department will be charged with the following tasks:

- a. Designing taxpayer assistance management programmes;
- b. Designing and developing systems for managing public inquiries and complaints resolution;
- c. Developing and issuing taxpayer service delivery standards;
- d. Designing and developing input for staff training on taxpayer service standards;
- e. Designing programmes and issuing procedures and guidelines for taxpayer relationship managers for large taxpayers;
- f. Designing and issuing guidelines for taxpayer assistance and mail management at front offices, especially with regard to filling forms, registration and letter notices.
- g. Designing annual taxpayer assistance action plans; and
- h. The monitoring and evaluation of the execution of programmes.

At present, modalities are still being laid for the effective take off of the department. The modalities include staffing requirements, office and furniture requirements as well as logistics. The target is to make the department fully operational by 2012.

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CHAPTER TEN

ENTRENCING A STRONG ETHICAL CODE

Ethics, Values and Anti-Corruption

Ethics refer to well-founded standards of right and wrong (rules and regulations) that prescribe what humans ought to do, usually in terms of rights, obligations, benefits to society, fairness, or specific virtues.¹ Ethics also mean the continuous studying of moral beliefs and conduct to ensure that reasonable standards are systemized. At a more fundamental level, it is the method by which we categorise our values and pursue them. A proper foundation of ethics requires a standard of value to which all goals and actions can be compared to.

Values can be defined as those things that are important to or cherished by someone or an organization. When values are shared by all members of an organization, they are important tools for making judgements, assessing probable outcomes of completed actions, and choosing among alternatives. Perhaps more importantly, they put all members on the same wavelength with regard to what all members as a body consider important.

Prior to the reform era, there was no policy framework of ethics or values defining the operations of FIRS staff. That is not to say that there was no code of conduct by which employees of the Service operated. Indeed, being an organ of the Federal Civil Service as it were, the FIRS operated in accordance with the code of conduct expected of all civil servants. Furthermore, corrupt practices were prohibited among employees of the Service. Among cases of fraud investigated were the allegation involving Halliburton and Dresser Kellog in 2003 over an amount in excess of USD 2.4 million and the 2004 cases of fraud in the Area Tax Office in Katsina, as well as the VAT Office in Dutse, where an account purportedly meant to be the real account for the lodgement of VAT collections was opened at the First Bank Branch in Kano to perpetuate fraud. This incident was brought to the attention of the

Chairman of the FIRS by the Zonal Coordinator, North/West Zonal Office on the 7th of July, 2004.²

In December 2005, the Values and Doctrine Division was established. The division, which was built on the foundations laid by the “Whistleblower” Unit, was established with the aim of projecting the image of the Federal Inland Revenue Service in positive light. The Independent Corrupt Practices and other related offences Commission Act 2000 required every Ministry, Department or Agency of Government to establish an Anti-Corruption and Transparency Unit (ACTU). It was this unit that dovetailed into the Whistleblower Unit and eventually the Values and Doctrine Division.

The new division was placed directly under the FIRS Chairman with a mandate to ensure that all FIRS staff adhere to the rules and regulations of the Service as well as the provisions of the Public Service Rules, Financial Regulations and other guidelines and administrative circulars of the Federal Government.

The FIRS (Establishment) Act 2007 empowers the Board to make regulations relating generally to the conditions of service of the staff and, in particular, such regulations may provide for the appointment, promotion, dismissal and discipline of staff or employees of the Service.³ The staff regulations shall be published by the Board and issued to staff in such manner as the Service may from time to time determine pending the publication in the Federal Gazette.⁴ In the exercise of these powers, the FIRS Board ratified a code of ethics and core values to be abided by all employees of the Service. In addition, the Board and Management of the Service put in place anti-corruption measures to safeguard the sanctity of tax administration in the country.

The FIRS Code of Ethics also defines four core Service values clusters of sub-values are built around the major four. These include:

Professionalism:

- a. Competence and know-how
- b. Accountability
- c. Fairness

- d. Continuous learning
- e. Respect for tax payer, constituted authority and colleagues

Integrity:

- a. Candour
- b. Courage
- c. Transparency
- d. Self- discipline

Efficiency

- a. Speed
- b. Accuracy

Ownership and collective responsibility

- a. Team spirit
- b. Partnering
- c. information

The status of the Federal Inland Revenue Service as a revenue generating agency places on the Service an onerous responsibility to be above board in matters of integrity, probity, transparency and honesty. These attributes must be imbibed by employees of the Service. Even before the 2004 reforms commenced, there existed two anti corruption units which were the Intelligence Branch and the Special Investigation Branch, SIB.⁵ Despite the best efforts of successive administrations, the structure and procedures that existed in the Service prior to the reform era were by their nature prone to abuse. For example, the position of the FIRS in relation to the FBIR, and its relationship with its field offices (zonal, area tax and local VAT offices) in terms of authority and accountability was unwieldy. The flow of accountability from the field offices to the head office followed functional lines and patterns but all ended up in the Executive Chairman's office. The assessment functions of the field offices, executed by the Heads of the Assessment Units in the Area Tax Offices and

supervised by the Area Tax Controllers, were reported to the Zonal Coordinators during monthly reconciliation meetings. These were collated in the form of reports (mostly in hard copies) by the Zonal Coordinators and forwarded to the Assessment Department in the Head Office, which was headed by a Director. These reports were then collated from there for onward transmission to the Chairman.⁶ In the same vein, collection reports from the field offices were also forwarded through the Zonal Coordinators to the Executive Chairman through the Process Operations Department, which was also headed by a Director. All other functions went through the same process, going through the Zonal Coordinators, and their respective departments, but all ending at the Office of the Executive Chairman.⁷ There were several problems with this structure which undermined accountability and transparency some of which are listed below.

- a. With as many as 30 field offices within a zone, there were too many offices reporting to the Chairman. This blurred the lines of delineation of authority and made effective supervision impossible
- b. Jurisdictional disputes between VAT offices and Area Tax Offices led to multiple tax audits of taxpayers

Second, the manual system of tax collection made it easy for tax-official or insider-related fraud. This took the form of outright conversion of negotiable instruments meant for tax payment or compromise of the tax audit process where officials connived with taxpayers to reduce the latter's liability in return for pecuniary gain. As at July 2004 there were 22 cases involving complicity of staff in allegations of corrupt and/or dishonest transactions awaiting disciplinary actions.⁸

Apart from constituting leakages to government coffers, fraudulent and corrupt practices portrayed the Service in bad light and undermined taxpayer confidence in the system. Some of the strategic flanks of the Modernisation Plan were designed specifically to address these concerns. The reform strategies embarked upon by the Service to block leakages and also eliminate fraud within the system include automation of key processes and establishment of anti-corruption agencies.

Automation of Key Processes

The Project FACT (Friendly, Accurate, Complete and Timely) was conceived and implemented for the purpose of automating tax collection. Under the new system, taxpayers pay directly into collecting banks which in turn remit to lead banks which then transmit to the Central Bank of Nigeria. With the aid of appropriate software technology, the whole process is monitored real time by the Tax Revenue Accounting Department. This system has replaced the old system which was prone to abuse because tax payments were frequently done by way of negotiable instruments. In addition to tax collection, other processes such as procurement and payroll administration which because of the manual nature hitherto, were prone to abuses are also been automated to ensure system integrity.

Establishment of Anti Corruption Agencies

In 2004, the Investigation and Intelligence Division was created. The division consisted of three units namely Intelligence, Criminal Investigation and Civil Investigation Units. The division adopted the surprise-spot-check strategy in achieving its mandate of checking corrupt practices amongst staff. Through this strategy some staffs were apprehended over charges ranging from illegal possession and/or processing of documents (including Tax Clearance Certificates) and illegal tax consultancy services for taxpayers.

Another anti corruption agency that was created in 2004 was the Audit Division. The Division took over the functions of "Tax Audit." The Tax Audit function recorded limited successes owing to the challenges with the structure discussed above. With the creation of the Audit Division, the audit function was carried out at two frontiers namely headquarters audit and units audit. The headquarters audit was responsible for initiating audit policies, guidelines and the monitoring of field audit performance while the audit units, were the operational organs established in each Large Tax and Integrated Tax Office nationwide.⁹

In 2006, the Investigations and Intelligence Unit and the Audit Divisions were fused into the Audit and Investigation Department, but each maintaining its individual functions. This fusion was predicated on the need for harmonization of the execution of functions that require the examination of books and records of taxpayers while providing a single outreach/interface for such purpose.¹⁰

The Values and Doctrine Division was created in December 2005 as yet another anti corruption strategy. The division consisted of three core units namely:

- a. Anti-Corruption and Transparency Unit (a.k.a whistle blower unit)
- b. Discipline Unit; and
- c. Rewards and Recognition Unit

The function of the division was the investigation of all cases reported to it. Cases could be reported verbally or through dedicated whistle-blower lines and e-mail addresses. The division recommended individual cases for discipline or reward/commendation as appropriate. The primary mandate of the division was to ensure value re-orientation amongst FIRS' staff. Within one year of its establishment, the division treated a total of 223 cases out of which 31 staffs were indicted for various offences and recommended for dismissal.¹¹

In 2009, the Intelligence, Investigation and Enforcement Unit was created as a direct report to the Executive Chairman. The unit took over the functions of the "whistle blower unit" while issues of discipline and reward were reverted to the Human Capital Management Department. In FIRS today, in addition to the Intelligence, Investigation and Enforcement Unit, two other departments are directly responsible for anti corruption campaigns. These are Criminal Investigation Department and Tax Audit, Programmes and Processes Department. The functions of these departments are discussed in detail in Chapter Three.

As a result of its anti corruption strides, the Service was conferred with an award in 2006 by the Transparency and Anti-Corruption Campaign International.¹² In order to provide a legal framework for anti corruption activities of the Service, the Federal Inland Revenue Service (Establishment) Act 2007 empowers the Service to undertake sundry strategies to prevent fraud or evasion.¹³ The Act further confers discretion on the FIRS Board to reward any person, not being in the employment of the Service that provides information that is useful to the Service in the discharge of its functions.¹⁴ This provision is meant to encourage external stakeholders of the Service to provide information on tax evasion or connivance between FIRS staff and taxpayers to defraud the Service to come forward with such information.

Putting a Code of Conduct in Place

The FIRS Code of Ethics was signed on 30 July, 2009. Explaining the rationale behind its issuance, the Chairman of the Federal Inland Revenue Service, Ifueko Omoigui Okauru stated in the foreword to the Code of Ethics that:

The purpose of these Ethics is to establish and maintain the highest standards of honesty, integrity and impartiality of all employees/officers of the Federal Inland Revenue Service (FIRS). The citizens of Nigeria especially the tax paying public expect sound ethical behaviour from their tax administrators. Ethical and professional behaviour while serving the public and when conducting oneself in public, goes a long way towards helping to instil confidence in the Government on the part of Nigerian citizens.

The Management of the FIRS is responsible for setting the standards of business conduct contained in the Code of Ethics and for updating these standards as it deems appropriate to reflect changes in the Service. It is therefore the responsibility of each staff to comply with the code. Staffs are required to consult with the Human Capital Management Department regarding uncertainty in the interpretation of the provisions of the Code.

The Code of Ethics document has been formulated to assist employees of the Service attain the professional standard and personal behaviour necessary to maintain public confidence and project the image of the Service in a positive light.¹⁵ The FIRS relates with the taxpayers, government agencies as well as the general public. Internally, employees relate with one another and with the Management during the course of performing duties assigned to them. The Code therefore, provides a guide in regulating these subsisting relationships. The main features of the FIRS Code of Ethics are discussed below.

Conflict of Interest

A public officer shall not put himself in a position where his personal interest conflicts with his duties and responsibilities. A conflict of interest occurs when the private interest of an officer of the Service is at variance with his duties and professional responsibilities. Instances of conflict of interest include:

Parallel employment and private business interest

An officer of FIRS shall not engage in any outside employment or private business activity that may give rise to a real apparent conflict of interest; except as allowed by the Code of Ethics or by special permission from the Board. The following specific outside business activities, when performed for a fee or other forms of consideration, are deemed to conflict with an officer's official duties:

- a. Performing professional tax services involving taxes administered by FIRS;
- b. Appearing on behalf of any taxpayer as an attorney, agent or representative before any Government agency, or court of law;
- c. Engaging in accounting, or the use, analysis and interpretation of financial records when such activity involves tax administered by FIRS;
- d. Engaging in bookkeeping, the recording of transactions, or record-making phase of accounting, when such activity is directly related to tax determination; and
- e. Preparing tax returns, or furnishing advice or assistance in the preparation of tax returns.

The following activities do not qualify as conflict of interest and are therefore, allowed:

- a. Membership of professional or union organization, participation and/or management in civic, scout, religious, educational, fraternal, social, community, veteran, or political bodies;
- b. Participation in fund raising drives as a chairperson or in other capacities, provided the drive is under the auspices of a civic, scout, religious, social, community, veteran, professional or union activities;
- c. Unpaid bookkeeping and/or preparation of tax returns or other forms required by the FIRS, and the maintenance of other records for civic, scout, religious, educational, social, community, veteran, or union organizations that are exempt from income tax;
- d. Acting as an administrator, executor, or guardian for a relative or friend;

- e. Preparing tax returns, or furnishing advice or assistance in the preparation of tax returns where there is no fee or other consideration.

An employee of the Service must duly inform the Management of the FIRS through the Human Capital Management Department before entering into any employment or business activity that does not clearly fall within one of the categories above.

Employees are further prohibited from using their position or confidential information gained in the service for personal or family benefit. Furthermore, an officer who retires or resigns from service shall not accept any contract, brief or advice on any professional matter handled or that he had confidential knowledge of while in service.

Self-Disqualification

An employee of the Service cannot participate in any matter concerning any person or entity with whom he has or had any relationship that might impair or give the appearance of impairing his impartiality. If such a relationship exists, the employee must disqualify himself from participating. It is the responsibility of all employees of the Service to disclose to the Human Capital Management Department any consanguineal or conjugal relationship.

Further to the above, an employee of FIRS is prohibited from participating in any matter involving the Service in which he has financial interest. Under this policy, FIRS officers are prohibited from official involvement in any administrative matters (purchases, leases, etc) or any tax account matters (assessments, billings, refunds, etc) involving him personally, or involving the financial interest of any of the persons and entities whose interest are imputed to be his own. A conflicting financial interest does not exist if an officer has no knowledge of the conflicting interest held by the party whose interest is imputed to the officer. Also, money market funds, certificates of deposit, savings and checking accounts, and similar instruments from financial institutions do not constitute financial interests that generally would create a conflict of interest. Finally, a financial interest for the purpose of the policy does not include a minority ownership in the equity or other securities of a publicly traded company, if the interest is less than five percent of the total outstanding stock of the class of stocks or securities involved.

Compensation, Gifts and Bribes

Bribery and attempted bribery are offences that strike at the core values of the FIRS. Employees are constantly advised to avoid solicitations for money, consideration, or anything of value in return for acts or omission involving their official functions. Any attempt to bribe a staff of FIRS shall be reported immediately to the Management. After reporting, the employees shall thereafter cooperate in any ensuing investigation and avoid any unofficial discussion of the case. FIRS officers are prohibited from accepting any form of gratification or consideration in performing their duties. Receiving gifts or benefits from commercial firms, business enterprises or persons who have contracts with the Service shall be presumed to be in contravention of this code. An officer shall only accept personal gifts or benefits from relatives or personal friends to such extent and on such occasions as are recognised by custom. Furthermore, any gift or donation to a public officer on any public or ceremonial occasion shall be treated as a gift to the appropriate institution represented by the officer, and accordingly, the mere acceptance or receipt of any such gift shall not be treated as a contravention of this provision, and such officer shall account for such gift or donation.

Preferential Treatment

The Service shall, as a policy, not show, through word or action, any preferential attitude or treatment to any person, group, or other entity in the performance of official duties. Officers of the Service may not, therefore, recommend or suggest to anyone, either specifically or by implication, the service any particular accountant, firm of accountants, attorneys, or any other person or professional group or business organization may have in connection with any official business that involves or may involve the FIRS.

Ancillary to the above, no FIRS staff shall discriminate or be discriminated against on the basis of race, colour, religious creed, age, sex, marital status, state of origin, ancestry, sexual orientation, learning disability, genetic information, present or past history of mental disability, mental retardation or physical disability, including but not limited to blindness, criminal record, HIV or AIDS status or other non-infectious/non-communicable health conditions except they are medically certified to constitute a health hazard.

Political Activities

Staffs of the FIRS are prohibited from partisan politics. Specifically, no employee of the Service shall:

- a. Coerce or attempt to coerce, command or advice directly or indirectly, another FIRS employee to pay, lend or contribute anything of value to a party, committee organization, agency or person for political purposes;
- b. Campaign for others during normal work hours. Officers are prohibited from being a candidate for full-time Federal, State or Local Government office while in active employment;
- c. Seek or hold a public office without first receiving written approval from the Management; or
- d. Display a political or campaign button while on official duties or any premises of the FIRS.

Confidentiality/Official Secrecy

Staffs are not permitted to disclose or make known in any manner, information contained in any tax return or information relating to any taxpayer, except as provided or required by law, and with the consent of the Executive Chairman. This duty of confidentiality covers all information relating to taxpayers, including trade secrets, processes, operations, style of work, apparatus; or the identity, statistical data, amount or source of any income, profits, losses, or expenditures of any person, firm party, corporation, or association received by the FIRS. Virtually all information and documentation received by the FIRS is confidential information, prohibited by law from disclosure. FIRS officers who disclose confidential information may be subjected to disciplinary action; civil and/or criminal liability. In furtherance to the duty of confidentiality, no staff is allowed to:

- a. request, obtain, photocopy, or view a tax return, record, or file of any taxpayer, for any purpose other than in connection with his/her assigned duties;
- b. remove, even temporarily, any tax return, records, or photocopy files for any purpose other than the performance of his/her assigned duties;

- c. divulge or disclose any information which is confidential and privileged to any person not authorized to receive such information

The duty of confidentiality and official secrecy subsists even after leaving the employment of the Service, such that no former employee may use confidential information gained while in the employment of the FIRS for financial gains after leaving the Service.

The following documents and materials must not be found in the custody or possession of any staff other than those who have official authority to keep them:

- a. Education Tax Receipt
- b. Flow line Receipt
- c. Income Tax Receipt
- d. Petroleum Profit Tax Receipt
- e. Receipt Book Issue Note
- f. Stamp Duty Receipt
- g. Tax Clearance Certificate (TCC)
- h. Treasury Receipt (6A)
- i. Value Added Tax (VAT) receipts
- j. VAT certificate
- k. Withholding Tax credit notes
- l. Withholding Tax receipts.

All non security documents including TCC application forms, assessment notices, discharge order and stand over forms, remission order forms, VAT certificates and VAT forms of any type, annexes I and II and official letter heads and K-cards should only be found with officers whose schedule of duties has relevance with these documents. Similarly, all external documents and materials, including companies audited accounts or statement of affairs, memorandum and articles of association, companies' certificate of incorporation or any other incorporation documents from the Corporate Affairs Commission, bank documents, such as tellers, manifest statements and remittance schedules of companies must be in custody of schedule officers.

Personal Conduct

FIRS officers are expected to act and perform their duties in a professional manner. While on FIRS business, officers are expected to adhere strictly to the FIRS Code of Ethics. Certain kinds of conduct violate not only the General Rules of Conduct, but the Code of Ethics as well. Specifically, FIRS employees are cautioned regarding the following:

- a. Abusive use of FIRS property or equipment
- b. Soliciting for personal business including posting or distributing advertisements
- c. Falsification of official records or documents. Contravention of this code will be subject to disciplinary action up to and including dismissal from service
- d. Making public or official statement to the press without the express permission of the Management
- e. Use of Identification Card: All bona fide staffs, youth corps members and other authorised persons are required at all times to wear the identification cards when within FIRS premises. In the event of loss, an application for replacement, to which shall be attached a police report and an affidavit duly obtained from a court of law shall be forwarded to the Director, Human Capital Management Department.

Legal and other Professional or Scholarly Publications

All employees are encouraged to publish articles in professional and scholarly journals. However, to protect the integrity of FIRS and to ensure application of a clear and consistent legal policy within the FIRS, all legal, accounting, tax or tax-administration related publications authored by employees must bear the following caveat “This article/publication represents the opinions and legal conclusions of its author(s) and not necessarily those of the Federal Inland Revenue Service” and copies of all such articles published should be made available to the departmental library in the Legal and Prosecution Department.

Use of Computer for Illegal or Malicious Acts

An officer of FIRS shall not use FIRS computer and other electronic systems to perform any illegal or malicious act and or deliberately attempt to degrade the performance of a computer system.

SERVICOM and Reform Compliance

The Code of Ethics also adopts the provisions of the SEVICOM Work Ethics as part of the FIRS Code of Ethics for all intents and purposes. Consequently, all employees of the FIRS shall:

- a. Not leave files unattended to for more than 48 hours;
- b. Not report late to work;
- c. Not be found loitering in the corridors;
- d. Keep office and toilets clean;
- e. Not close from office before closing time without authorization;
- f. Be guided by the concept of quality service delivery;
- g. Always be on their seat or where they can be easily seen;
- h. Respond to request from clients/taxpayers within (5) working days;
- i. Attend to all matters pertaining to ad-hoc and special assignments within the specific period;
- j. Attend to clients and taxpayers politely;
- k. Not engage in any form of touting;
- l. Not be found aiding and abetting tax evasion and avoidance;
- m. Not be found trading in the office;
- n. Not receive private visitors in the office;
- o. Not be absent from office, during working hours, without authorization;
- p. Not conduct illegal monitoring activities;
- q. Not visit taxpayers' premises in pursuant of official business without authorization;
- r. Not breach any FIRS processes and procedures.

Relationship with Taxpayers and Visitors

Any officer who gives out privileged information to a taxpayer or outsider after receiving any gratification as an inducement that may lead to reduction of tax obligation shall be guilty of corrupt practices.

Every employee is expected to maintain and uphold the integrity of the Service. An employee has a duty to promptly and accurately report violations of any provision of the Code of Ethics, and to the fullest extent possible, such report shall be treated as confidential. Staff shall at all times be familiar with, understand and act in accordance with this policy and all other approved policies and procedures of the Service. Consequently, the distribution policy of the Code of Ethics is as follows:

- a. All existing employees of FIRS are entitled to personally receive and acknowledge receipt of the Code of Ethics document;
- b. All new employees are entitled to a copy of the Code of Ethics during the orientation programme;
- c. All employees shall be notified immediately if any change is made to the FIRS Code of Ethics which may result from advisory opinions or rulings that may be of particular relevance to the administration of this Code of Ethics.

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CHAPTER ELEVEN

CAPACITY BUILDING

Concept of Capacity Building in the FIRS

Capacity building was identified from the onset as key to the success and sustenance of the reform process and was included as a strategic flank in the FIRS Modernisation Plan. The key components of capacity building as contained in the Modernisation Plan are structure, staffing and specialization. The training philosophy of the FIRS is to provide structured and systematic training that enables employees to acquire the skills, knowledge and qualifications relevant to their development for the realisation of their career potentials in the Service.¹ This is achieved through training needs analysis and the design of curriculum to address identified gaps while also enhancing existing skills and competencies. The training methodology employs the use of hands-on-training; conferences, workshops, seminars and study tours. Special attention is also given to career requirements and officer cadre. Based on background, area of competence and job schedules, courses are therefore designed to address foundation and basic training needs of entry level officers, intermediary needs of mid-level managers and advance requirements for directorate and top management employees.

Structure

Until 2007, staff training had always been a unit function in the Human Resources Management Department.² The Learning and Development Department was created in 2007 to deliver qualitative, functional and professional training and improve the skills and capacity of members of staff to enable them drive the vision and mission of the Service. The restructuring of various organs of the Service, which is still ongoing, is to ensure that skills and competencies are pooled and harnessed within the requisite structures needed to drive the goals and objectives of the Service. The mission statement of the Learning and Development Department is to deliver qualitative, functional and professional development

of staff, and support their ability to deliver the Service mandate at all times; and to also equip staff to meet the challenges associated with delivering the Service mandate in terms of value, culture, professional and personal development. The key objective of the department is to strive for the emergence and sustenance of a learning organisation by providing the much needed environment that is conducive to continuous learning across the Service.³ Other objectives of the department are to:

- a. Identify the training needs of employees periodically and align training interventions to identified needs;
- b. Work with the Human Capital Management Department to develop and maintain a system for ensuring that performance appraisals of employees are effectively linked to training needs for appropriate capacity building interventions;
- c. Build and maintain a faculty of credible trainers and resource persons to facilitate the achievement of the learning and development objectives of the Service; and
- d. Lead the development and sustenance of appropriate relationships and structures for fostering the growth and development of a tax-for-development culture in Nigeria.⁴

The mandate of the Learning and Development Department is driven by three units based on functional areas as follows:

Training Development Unit

The unit is responsible for the design and development of training programmes; supervision and review of curriculum development; and evaluation and updating of existing training modules. The above functions are in turn driven by seven sub-units namely:

- a. Curriculum Development: reviews and updates existing curriculum at regular intervals, develops timetables for training programmes, collates training needs analysis, determines learning tools required as well as ground rules for training programmes
- b. Resource Pool Education and Development: identifies the training needs of all trainers, scouts for resource persons, evaluates and reports on training exercises

- c. Staff Appraisal and Analysis: compiles lists of staff requiring training from the needs analysis contained in annual appraisal reports and correlates the impact of the required training on the competencies/job description of staff
- d. Training Needs Administration: designs training needs assessment questionnaire for supervisors and staff, tailors training needs to specific programmes and compiles the FIRS Training Plan
- e. Evaluation Unit: handles post training and on-the-job evaluation of participants
- f. Library: manages the FIRS Library
- g. Software Application and Products: manages the electronic data on FIRS trainings

Training Delivery Administration Unit

This unit is responsible for the actual implementation of training programmes. It achieves this through the activities of the four sub-units under it which are:

- a. Training Registry: maintains training attendance registers and files, collates annual leave rosters, makes requisitions and handles mails
- b. Facilities and Logistics: maintains training equipments, facilitates movement of participants, scouts for training venues and ensure adequate logistics and smooth conduct of training sessions
- c. Evaluation and Documentation: evaluates the success of all training programmes and takes custody of modules and training documents
- d. Training Management and Delivery: delivers approved training programmes

Administrative Support Unit

The unit is responsible for receiving and dispatching mails, liaising between the various units and the departmental head, manages movement of files and registers, organizes and manages departmental meetings, prepares requisition orders, maintains departmental vote book and maintains imprest account.

Staffing

Staffing refers to the engagement, placement and deployment of personnel within the various structural organs of the Service to drive the activities; programmes and processes that are necessary for the Service to actualize its mandate. Staffing is one of the major areas that have been impacted by the reforms. Under the old arrangement, staffs of the Service were either recruited for the FBIR through the agency of the Federal Civil Service Commission or seconded from other Ministries, Departments or Agencies, MDAs, of Government. The point has been already made that the import of the autonomy granted the Service by the 2007 Establishment Act is administrative and financial. In the latter sense, it means the budget/expenditure of the Service is appropriated by the National Assembly on the basis of a percentage of cost of collection of non oil receipts, without recourse to the budgetary processes required of other MDAs.

In the administrative sense, autonomy for the Service means that issues of recruitment, reward, promotion, discipline and other sundry employee matters are no longer the responsibility of the Federal Civil Service Commission but are now vested in the FIRS Board. The general provision regarding the foregoing powers is Section 7 (d) and (e). While Section 7 (d) provides for recruitment of new staff, Section 63 of the Act contains transitional provisions regarding staff employed under the erstwhile Federal Board of Inland Revenue. The major provisions under Section 63 are that:

- a. Officers and employees of the former FBIR, including its operational arm the FIRS, who have been offered employment under the new arrangement are deemed to have been transferred to the new Service on terms that must not be less favourable than those under the old arrangement;
- b. Every officer or employee transferred into the new Service by virtue of the above provision must indicate acceptance in writing within 60 days after the commencement of the Act or from the date of the offer, whichever is later, failing which such officer or employee would be deemed to have rejected the offer;
- c. An officer or employee that rejects the offer of appointment either in writing or by effluxion of time shall be considered an employee of the new Service

within that duration between the date the offer was made up to the date of rejection;

- d. An employee has not been transferred or who refuses his transfer from the erstwhile FBIR to the new FIRS shall be deployed to the Office of the Head of Civil Service of the Federation for re-deployment in the Civil Service of the Federation

At its meeting of 24 May 2009, the FIRS Board delegated its powers to the FIRS Management to develop a framework and identify key requirements for the implementation of the transitional provisions and to also evolve a workforce that is capable of meeting the requirements and challenges of the new FIRS. In furtherance to the above mandate, the FIRS Management inaugurated a Transition Committee on 22 June 2009 to develop the detailed framework based on the guidelines provided by the Management. The Committee was constituted as follows:⁵

S/No	Name	Designation
1	Alhaji Kabir Muhammad Mashi	(CD/SSG) Chairman
2	Chris Onyegbule	(Board Secretary) Secretary
3	Achilles Amawhe	Member
4	Mrs. Junila N. Takon	Member
5	S. G Lwahasmang	Member
6	John Elaigwu	(Senior staff union) Member
7	Sunday Babarinde	(Junior staff union) Member
8	A.O Attah	Member
9	A.G Dalhatu	Member
10	O. O Sosimi	Member
11	S. A Umaru	Member

S/No	Name	Designation
12	M. D Atiku	Member
13	Ola Majoyeogbe	Member (stepped down)
14	Samuel Awogun	Member
15	L. U Amechi	Secretariat and stenographic workers union) Member
16	Olufemi Ayo	Member
17	Eric Uzuah	Member
18	Samson Okere	Member
19	Salisu Bakari	Member
20	Mrs. A. M Daniel-Nwaobia	(Office of Head of the Civil Service of the Federation) Member
21	Engineer A. G Magaji	(Federal Civil Service Commission) Member
22	Sam Okike	Member
23	Gbenga Edeki	Member
24	Representative of KPMG	Member
25	Representative of Deloitte	Member

The terms of reference of the Committee were as follows:⁶

- a. Develop and execute a work plan to ensure all critical action plans are satisfactorily met within stated deadlines;
- b. Obtain approvals from the Management at critical points as required prior to presentation to the Board and/or its Committees
- c. Involve the relevant Board Committees as required to ensure early consideration and presentation to the Board for approval by 30 July 2009

- d. Determine, recommend and execute the most appropriate communication method to handle the transition process
- e. Ensure the early conclusion of the transition process in a manner that addresses the needs and expectations of all stakeholders as best as possible
- f. Compute the financial implications of the exercise and obtain relevant funding as may be required
- g. Address all other issues that may be incidental or otherwise to the work of the Committee
- h. Provide weekly status reports on the progress of assigned tasks

The Management further provided the Transition Committee with a list of critical action plans to guide its activities. The components of the critical action plan included but were not limited to the following:⁷

- a. analyse the staff of the Service based on the following categories:
 - i Staff category: such as permanent, pool, seconded, contract etc
 - ii Career paths: such as tax, legal, administration, human resources, finance, and information technology
 - iii Educational qualifications: the essence of this particular exercise was to determine staff with minimum qualifications of first degrees or Higher National Diploma (HND); staff with National Diplomas but with additional qualifications in view; staff with National Diploma without additional qualification in view; staff with lower qualification than National Diploma but with additional qualification in view; and staff with less than National Diploma without additional qualification in view
- b. Review, update and finalize all Human Resource Policies and Procedures as approved by the Board including the Manual on Learning and Development Policies and Procedures

- c. Engage the Administrative Staff College of Nigeria (ASCON) to train selected staff in batches of 150 for a period of two months based on defined modalities in order to improve staff skills
- d. Conclude all staff placement and internal recruitment efforts and ensure that the offices of the Coordinating Directors are filled in accordance with laid down criteria

The Transition Committee obtained approvals from relevant stakeholders including the Presidency, the Ministry of Finance, the Head of the Civil Service of the Federation and the buy-in of the National Assembly and the Civil Service of the Federation. To work done by the Transition Committee from inauguration to date is as follows:⁸

- a. A total of 1743 employees were transferred from the erstwhile FBIR to the new FIRS in line with the provisions of Section 63 of the Act and were issued with appointment letters accordingly;
- b. A total of 2155 employees were issued letters on a transition arrangement based on a memorandum of understanding signed between the Management and the Union. This category of employees did not possess either a first degree or Higher National Diploma which is the qualification determined by the FIRS Board as the minimum entry qualification into the new FIRS. In an MOU signed between the Management and the Unions (as representatives of the staff in this category) a grace period was given up to the year 2013 for those with qualifications in view to complete their programmes as well as those without qualifications in view to upgrade themselves to the minimum level.
- c. 220 names of non transiting staff were compiled for disengagement but the Committee found that 43 of them had secured admissions into various institutions while two were undergoing professional tax training. Their letters of disengagement were withdrawn and the remaining 175 employees were disengaged. Furthermore, in line with the new Management policy of outsourcing certain services, a total of 219 drivers were disengaged for re-absorption as contract transport officers on criteria laid down by the Human Capital Management Department.

- d. The Committee in collaboration with the Learning and Development Department organized induction training for both transiting and newly recruited staff in September 2010. The induction training will be a continuous process until the expiration of the MOU with the unions in 2013 when it is expected that all staff would have transited into the new Service.
- e. The Committee compiled a list of seconded staff and submitted to the Management for further action. Some staff in this category participated in the recruitment exercise that was going on side by side with the transition programme and were offered appointments into the Service on the basis of merit obtained in the recruitment exercise. Other staff in this category opted to return to the various MDAs of origin. Some staff in this category who did not partake in the recruitment exercise but who offered to stay back are to have their credentials reviewed by the Human Capital Management Department to determine their qualification to remain in the Service in the light of the new minimum requirements. The staff who opted to stay and also possess the requisite qualifications but who are above 50 years of age are to be placed on contract employment for the remainder of their service career. This is in line with the provisions of the Public Service Rules 2008.
- f. Having determined qualification levels, career paths and transited/recruited staff of the Service, the Committee concluded the staff placement assessment to align staff to positions within the redefined organisational structure and passed the responsibility of implementing the staff placement to the Human Capital Management Department.

Side by side with the transition exercise, the FIRS Board approved recruitment to fill gaps in the Service that had occurred as a result of the organisational restructuring and creation of new functions. While the modalities for the recruitment exercise were being laid, the Management of the Service engaged some people with specialised skills or competencies either as contract staff or consultants to fill some areas that were critical in the reform process. In the course of the recruitment exercise, some contract staff and consultants applied and were offered appointments on the basis of their performance in the recruitment test. This category of employees was grouped together with other new recruits under the

category of external recruits. Altogether, 1730 external applicants were employed by the Service under the authority of the FIRS Board exercised pursuant to Section 7 (d) of the FIRS Establishment Act.⁹ In all, as at November 2011, the total number of staff of the Service is about 6120 comprised of transited staff, staff on transit arrangement, external recruits, and absorbed staff.¹⁰ Another factor that was emphasised in the transition and recruitment processes was the issue of staff mix. Hitherto, the number of junior staff was disproportionately larger than the number of senior staff in the Service. The emphasis on minimum qualification, competence and skill was intended to; and succeeded in addressing the lopsided nature of staff mix.

Specialization

The categorisation of staff along the lines of career paths is to enhance specialisation and professionalism. Through training needs analysis, the Learning and Development Department designs curriculum and training plans to match competencies and skills. The curriculum is designed to cover all the relevant knowledge fields employed in the field such as taxation, audit, administration, legal, enforcement, information technology, tax policy etc. The training plans or manuals outline the various capacity building programmes the officers in various Groups/Departments of the Service will be attending on an annual basis. This category of training is without prejudice to other training programmes organized at the Group level to improve certain skills. For this purpose, every Group in the Service has a Group Training Committee which identifies other areas of specialization the Learning and Development Department may not have covered in the Training Manual and designs training programmes out of the Group vote to address such areas of specialization.

The foregoing strategies have not only broadened access to continuous education for staff, they have also impacted on the knowledge, skills and competencies of staff and enhanced their overall capacity in an increasingly competitive and complex business world.

Areas of Skills Impacted to Date

As at 2004, employees of the Federal Inland Revenue Service hardly possessed the skill and competencies necessary to drive a modern revenue organization. Computer knowledge and application was scanty across the rank and file of its personnel. Computer penetration in the entire Service was limited. The situation improved between 2001 and 2004 when the

Service acquired about 700 personal computers and deployed at the headquarters and offices that handled large taxpayers such as the Petroleum Department, International Tax Department and Large Tax Unit. The PCs were linked to a Local Area Network at the headquarters and the two main sites in Lagos and Port Harcourt Tax office. Computer utilisation ratio was about 15 staff to one computer.¹¹

As at 2004, most staff of the FIRS had not gone for the basic Preliminary Inspectorate of Tax Course and the Executive Officers Course. The Advanced Inspectors Course, which is a prerequisite requirement for attaining the rank of Assistant Director of Tax (ADT), had not been undertaken by any member of staff for almost 10 years. Very few staff enjoyed international training between 2000 and 2004. Staff at the Large Tax Unit (LTU) in Lagos, the revenue cash cow of the Service; and at several VAT offices all over the country had not gone for training for many years. Access to training was not systematic but at the discretion of a few officers. In addition, there were no training plans or curriculum.

New focus was given to training at the commencement of the 2004 reforms, beginning with baseline competencies. A massive capacity building programme involving many staff in two streams, in the taxation of the oil companies began in 2004. About 200 staff also began the Inspector of Taxes course at almost the same period. By the end of 2004, 673 staff had benefitted from local training while five had benefitted from international training. In 2005 the figures rose to 980 and 34 for local and international training respectively. In 2006, 2031 staff benefited from local training while 106 staff benefitted from overseas training.

To speed up ICT based trainings, the FIRS established regional ICT training centres in its eight regional offices. Before this, the World Bank under the Economic and Reform Governance Project (ERGP) had requested for the establishment of these offices as a *sine qua non* for their support to the FIRS under the programme. The Service also focused on specialised trainings for certain select grades of staff. For example staff of the Intelligence and Investigation Division, Audit; and the Oil and Gas Division benefited from specialised trainings within and outside the country. At the early stages of the reform too, Change Managers, particularly at the directorate level, were trained at the RIPA Institute in London on change process and how to steer and manage change.¹² Lawmakers, policy makers and judges also benefited from training programmes to enable them grapple with the intricacies of tax policy, law making process and adjudication. One of such specialised offshore training,

was organised in the United States for senior FIRS staff, lawmakers at the National Assembly, officials of the Lagos state government and judges.

In 2005, the FIRS also provided training for staff of other stakeholder organisations whose proficiency levels had the potential to impact on the Service's collections. Under this initiative, about 390 account officers of various MDAs were trained to improve their grasp of the administration of tax deductions at source to enhance national revenue yield. This was also repeated in March 2007, when about 400 accounting officers participated in a Large Tax Department workshop for MDAs on the new PAYE and impending Personal Income Tax regime and their role in it.

Improved funding of the Service, made possible by the cost of collection mechanism, was crucial in the development of capacities of employees and stakeholders. There was also technical assistance from international partners such as the IMF and World Bank. The national revenue authorities of Kenya, Tanzania, Rwanda, South Africa and the United Kingdom also collaborated with the Service in facilitating study tours for employees of the Service. In all, between 2004 and 2010 88 offshore training events and 216 local trainings have been organized for various categories of officers totalling 17441 participants.¹³ Table 11.1 summarizes the progress that has been made from 2004 to 2010 in the area of training and capacity building (see the appendix).¹⁴

In the 2011 Training Plan which is still being implemented, a total of 16151 officers¹⁵ across the Service Groups will benefit from 72 local and international training programmes. The courses are grouped along the lines of:

- a. Pre-Promotion Courses: such as the various levels of the Inspectors of Taxes Course;
- b. Annual Courses: such as CATA and ATAF technical training workshops;
- c. Professional Development Courses: such as ICAN, ANAN, NBA etc;
- d. Overseas Training: conferences and study tours;
- e. Foundation Learning Programmes: Microsoft office programmes, basic communication etc; and
- f. Other Courses: specialized programmes to build identified skills or fill existing gaps¹⁶

References

- 1 Pariola, Angel, “Corporate Learning and Development Department,” a presentation at the induction course for new staff of the FIRS, September 2010.
- 2 Odey, Augustine, “Re: Reforms Documentation Project,” being a written submission to the Reforms Documentation Project Team.
- 3 Ibid.
- 4 Odey, Augustine, op.cit.
- 5 Sosimi, O. O., “Update on FIRS Transition and Recruitment,” a written submission to the Reforms Documentation Project Team.
- 6 Ibid.
- 7 Ibid.
- 8 Ibid.
- 9 Ibid.
- 10 Ibid .
- 11 “Operational Issues,”unpublished manuscript submitted to the Reforms Documentation Project Team by the Wahab Gbadamosi Team.
- 12 Ibid.
- 13 The total staff strength of the Service is 6120. There is no conflict here; all it means is that some officers, based on training need analysis, partook in more than one training programme.
- 14 Odey, Augustine, op. cit.
- 15 See footnote 221.
- 16 FIRS 2011 Training Plan.

CHAPTER TWELVE

ASSET MANAGEMENT

Background

Properties and assets of the Federal Inland Revenue Service are under the management and care of the Facility Management Department. The department is also responsible for the provision and maintenance of infrastructure and facilities such as power supply, lighting, water, ventilation and cooling, cleaning and waste disposal, gardening and furnishing.

Prior to 2005, the department existed as a unit under the Finance Department. This arrangement hindered the effective discharge of its functions. Some of the challenges which affected the smooth running of the unit's operations included:¹

- a. absence of defined operational procedures;
- b. jobs which were better off being outsourced were done in-house;
- c. inadequate number of staff;
- d. insufficient professionals among existing staff;
- e. inadequate training of staff to achieve excellence.

In addition to the above challenges, and of major significance, fixed asset accounting was poorly done because there was no policy or guidelines to address the following issues:²

- a. criteria for definition of fixed assets;
- b. acquisition of fixed assets;
- c. tagging system;
- d. procedure for disposal or transfer of fixed assets;

- e. accounting and control system;
- f. inventory/register of assets;
- g. procedure to document the transfer and distribution of fixed assets to offsite locations.

Structural Re-Engineering

The Facility Management Department as created in 2005 consisted of two divisions namely the Works Division and the Estate Division. The Works Division was made up of the Construction and Maintenance Unit and the Facility Planning Unit. The Estate Division consisted of two units: the Purchase Unit and the Rent Unit. The functions of the various units were as follows:

Construction and Maintenance Unit (Works Division)

- a. supervision of construction and erection of all the Service's buildings;
- b. renovation of FIRS offices;
- c. supervision, monitoring and processing of all outsourced consultants/professionals;
- d. identification and collation of the requirement of various offices;
- e. survey of building conditions and preparation of schedules of dilapidated offices, plants and equipments;
- f. inventory of all fixed assets and record keeping;
- g. updating of records and valuation of fixed assets.

Facility Planning Unit (Works Division)

- a. construction and renovation design of FIRS office buildings;
- b. preparation of bills of quantities, Requests for Proposals (RFPs) and other tender documents.

Purchase Unit (Estate Division)

- a. identification of land and landed properties for acquisition;

- b. valuation of properties;
- c. legal searches and verification of status of properties.

Rent Unit (Estate Division)

- a. identification of buildings for rent by the Service;
- b. development of rent profile and possible negotiation;
- c. processing of approval processing of rent renewals.

In 2010, the department was re-organised and while the functions performed by the divisions remained, the divisions were collapsed into two units namely the Facility Management Unit and the Project Management Unit.

Policies and Processes Re: Engineering

During the 2010 re-organisation, Vision and Mission statements were crafted to drive the new focus of the department. The Vision of the department is “to create in all FIRS offices a work environment that optimizes productivity of staff and gives maximum comfort to taxpayers” while the Mission is “to maintain and continuously improve the work environment in all offices so that the facilities support the core functions of FIRS and contribute to the attainment of its strategic objectives.”³ Further to its Vision and Mission statements, the department developed a “Facilities Management Policy” aimed at achieving the following goals:

- a. clean office environment;
- b. clean and functional restrooms with adequate supplies;
- c. well-maintained gardens and lawns;
- d. adequate ventilation, lighting and thermal comfort in offices;
- e. adequate water supply in all offices;
- f. adequate electricity in all offices throughout the day;
- g. adequate and comfortable furniture;
- h. comfortable waiting rooms for customers and visiting stakeholders;

- i. adequate space in terms of office, parking and other facilities.

Other significant strategies that were introduced include the following measures:

- a. Automation of fixed asset accounting/recording module that takes into account depreciation due to wear and tear;
- b. Introduction of unified tagging system to track and control assets;
- c. Installation of facility management software to track assets and maintenance requirements of assets;
- d. Classification of assets was introduced along the lines of land, buildings, improvements other than buildings, plants and machinery, equipments, vehicles and construction in progress.

The benefits of these measures have been tremendous. First, the records are useful in making long term capital budgeting decisions as well as the acquisition of new assets. In addition, the records set out a framework to allocate appropriate resources and make strategic decisions to support service delivery, maximize asset value, avoid the purchase of assets of doubtful utility and make provisions for preventive maintenance and replacement schedules. Furthermore, the accounting and records module has made it possible to determine the exact value of the Service's assets. Prior to 2006, no such system existed and the value of assets held by the Service was determined on the basis of guesstimate. Beginning from 2006, the combined strategies of asset accounting and asset classification made it possible to determine the value of various assets and properties of the Service acquired on a year-on-year basis. As at March 2011, the 2010 figures were not yet obtained. However, the available figures up to 2009 indicate that between 2006 and 2009, the combined value of the Service's fixed assets (inclusive of land and building, plant and machinery, furniture and fittings and office equipment) stood at N10, 393, 155, 233. 70. The yearly breakdown is as contained in Table 1 below.⁴

Table 1

Asset	2006	2007	2008	2009
Office Equipment	89,146,735.00	36,126,700.00	97,429,789.00	329,128,795.80
Furniture & Fittings	98,189,080.00	335,106,967.95	101,463,891.00	26,348,696.00
Plant & Machinery	46,789,795.00	38,123,700.00	33,979,000.00	3,079,650.00
Land & Building	-	-	8,504,590,000.00	-
Total	234,125,610.00	409,357,367.95	8,737,462,680.00	358,557,141.80
Grand Total	N10,393,155,233.70			

Fixed Assets

The following properties were owned by the Service pre 2004:

- a. Ikeja ITO, 76, Allen Avenue, Ikeja, Lagos
- b. FIRS Training School, Plot 225, Herbert Macaulay Way, Yaba, Lagos
- c. Adeoye ITO, 45, New Adeoye Hospital Road, Ibadan, Oyo State
- d. Abeokuta ITO, IBB Boulevard, Oke Mosan, Abeokuta, Ogun State
- e. Ilorin ITO, 1, Obbo Road, Off Unity Road, Ilorin, Kwara State
- f. Akure ITO, Alfred Rewane Road, GRA, Akure, Ondo State
- g. Oshogbo ITO, along Gbongan-Oshogbo Road, Oshogbo, Osun State
- h. Asaba ITO, Plot 4, Covet House, Anwai Road, Asaba, Delta State
- i. Benin ITO, 53, Airport Road, Benin City, Edo State
- j. Calabar ITO, Plot 1 IBB Way, Calabar, Cross River State
- k. Enugu ITO, Ridge Way, GRA Enugu
- l. Owerri ITO, Kilometer 3, Owerri-Onitsha Road, Owerri, Imo State

- m. Onitsha ITO, 20 Ridge Road, GRA, Onitsha, Anambra State
- n. Wuse ITO, 28, Sudan Street, Wuse Zone 6, Abuja
- o. Makurdi ITO, Jonah Jang Crescent, Makurdi, Benue State
- p. Minna ITO, Adjacent NACB Building, Mohammed Road, Minna, Niger State
- q. Revenue House, 15, Sokode Crescent, Zone 5, Wuse, Abuja
- r. Bauchi ITO, Federal Low Cost Housing Estate, Bauchi
- s. Yola ITO, Galadima Aminu Way, Yola, Adamawa State
- t. Maiduguri ITO, Airport Road, Maiduguri, Borno State
- u. Jos ITO, Federal Secretariat, Jos, Plateau State
- v. Damaturu ITO, Potiskum Road, Damaturu, Yobe State
- w. Northwest Regional Office, Katsina Road, Kaduna
- x. Kano ITO, 6, Zaria Road, 6/13 Farm Center Road, Kano
- y. Kano Club Road⁵

In addition, Zaria ITO, 1A Main Street, Sabon Gari, Zaria, Kaduna State and Ilupeju ITO, 3 Olusoji Idowu Street, Ilupeju, Lagos⁶ were rented buildings. The Ilupeju ITO Building was eventually purchased in 2011.

As at March 2011, the real property base of the Service had grown to 96 properties across the various regions of the country. While several more buildings have been rented to accommodate the effects of series of restructurings. The goal of the Service is to shift emphasis from “rented” to “owned” buildings. Overall, as at March 2011 there has been over 200 percent increase in the real property value base of the organisation relative to pre-2004 holdings. Newly purchased properties include:⁷

- a. Apapa ITO, 22 Warehouse Road, Apapa, Lagos
- b. FESTAC ITO E1 and F1, 1st Avenue, FESTAC, Lagos
- c. Ilupeju ITO, 3 Olusoji Idowu Street, Ilupeju, Lagos
- d. Ibadan ITO/Southwest Regional Office, 13, Lekan Alabi Close, Iwo Road, Ibadan, Oyo State

- e. Awka ITO, Ugwugama Street, Awka/Onitsha Express Way, Awka, Anambra
- f. Garki ITO, 12, Port Harcourt Crescent, Area 11, Garki, Abuja
- g. Enforcement Team Office, 39, Njamena Crescent Wuse II, Abuja
- h. Land bought from Nigeria's Governors' Forum, Central Area, Abuja
- i. FIRS Training School, Durumi, Abuja Central Area ITO, Owena House, Central Business District, Abuja
- j. FIRS Building, (Old CBN) Lateef Jakande Road, Agidingbi, Lagos
- k. FIRS Building, Awolowo Road, Ikoyi, Lagos

Rented properties cut across the Northwest, Northeast, North-Central, Southwest, Southeast and South-South regions as well as Lagos and Abuja. They include:⁸

North Central Region

- a. Kafanchan ITO, 26 U/Rimi, Kafanchan, Kaduna State
- b. Lafia ITO, Jabiru Plaza, Off Makurdi Road, Lafia, Nasarawa State
- c. Tax Appeal Tribunal Office, Malali GRA, Kaduna

North East Region

- a. Azare ITO, 1454, Old Kano Road, Azare, Bauchi State
- b. Gombe ITO, Federal Low Cost Housing Estate, Checheniya, Gombe
- c. Jalingo ITO, Jankada Street, Jalingo, Taraba State
- d. Northeast Regional Office, 17, Shagari Shopping Complex, Bauchi
- e. Northeast Zonal Office, Bauchi
- f. Suleja ITO, 13, Suleiman Baru Road, GRA, Suleja, Niger State
- g. Tax Appeal Tribunal Office, 2, Yakubu Gowon Way, Jos, Plateau State
- h. Tax Appeal Tribunal Office, Bauchi

North West Region

- a. Dutse ITO, 2, Sani Abacha Way, Dutse, Jigawa State
- b. Funtua ITO, Funtua, Katsina State
- c. Gusau ITO, 154, Sani Abacha Way, Gusau, Zamfara State
- d. Kano LTO, 6, Zaria Road, Kano
- e. Northwest Regional Office, 7, Katsina Road, Katsina

South-South Region

- a. Auchi ITO, 133, Benin-Okene Express Way, Auchi, Edo State
- b. Ikom ITO, 10, Calabar Road, Ikom, Cross River State
- c. Port Harcourt ITO, 81, Trans Amadi Industrial Layout, Port Harcourt, Rivers State
- d. Port Harcourt LTO, 74, Stadium Road, Port Harcourt, Rivers State
- e. Rumukwurushi ITO, 288, Port Harcourt-Aba Road, Port Harcourt, Rivers State
- f. Sapele ITO, 205, Ogorode Street, Sapele, Delta State
- g. South-South Regional Office, 465, Mammy Market Road, Trans Amadi, Port Harcourt, Rivers State
- h. Tax Appeal Tribunal Office, 59, Airport Road, Benin City, Edo State
- i. Uyo ITO, 4, Atiku Abubakar Avenue, Uyo, Akwa Ibom State
- j. Warri ITO, 5, Refinery Road, Effurum, Warri, Delta State
- k. Yenogoa ITO, Grace Estate, Akenpai Community, Bayelsa State

Lagos Island Region

- a. Broad Street ITO, Lagos
- b. Onikan ITO, Lagos
- c. Victoria Island ITO, 1716, Idejo Close, Off Adeola Odeku Street, Victoria Island, Lagos

Lagos Mainland Region

- a. Agege ITO, 79B, Iju-Ishaga, Iju-Agege, Lagos
- b. Alaba ITO, 48, International Market Road, Ojo, Lagos
- c. Alimosho ITO, 19, Idimu Egbeda Road, Idimu, Lagos
- d. FESTAC ITO, ICE Plaza Building, FESTAC, Lagos
- e. Ikorodu ITO, 210/212, Lagos Road, Ikorodu, Lagos
- f. Isolo ITO, 57, Murtala Mohammed Airport Road, Lagos
- g. Surulere ITO, 72, Bode Thomas Street, Lagos
- h. Yaba ITO, 296, Herbert Macaulay Street, Yaba, Lagos

Western Region

- a. Ado Ekiti ITO, 79, Lying Road, Basirisi, Ado Ekiti, Ekiti
- b. Ikare ITO, Iyame-Lokoja-Ikare Road, Ikare, Ondo State
- c. Ore ITO, 63, Okitipupa Road, Ore, Ogun State
- d. Otta ITO, Kilometre 37, Lagos-Abeokuta Express Way, Ogun State
- e. Oyo ITO, Ogbomoso-Ilorin-Awe Road, Oyo, Oyo State
- f. Sagamu ITO, 62, Oba Awolesi Erinwale II Road, Sagamu, Ogun State
- g. Tax Appeal Tribunal Office, 5, Ibrahim Taiwo Crescent, New Bodija, Ibadan, Oyo State

Eastern Region

- a. Aba ITO, 176, Azikiwe Road, Aba, Abia State
- b. Abakaliki ITO, Ebonyi State
- c. Nnewi ITO, 73, Onitsha Road, Nnewi, Anambra State
- d. Onitsha ITO, 87, Upper Market Road, Onitsha, Anambra State
- e. Orlu ITO, 11, Station Road Orlu, Imo State
- f. Osisioma ITO, Abia State
- g. Tax Appeal Tribunal/Southeast Regional Office, 23A, Igboeze Street, Enugu
- h. Umuahia ITO, 108B Aba Road, Umuahia, Abia State

Abuja Offices

- a. Abuja LTO, NACRDB Building, Airport Road, CBD, Abuja
- b. CID & Special Tax Office, Airport Road, CBD, Abuja
- c. Learning & Values Office, Unity Bank Building, Sokode Crescent, Zone 5, Wuse, Abuja
- d. Lokoja ITO, Equity Plaza, Lokongoma, Abuja
- e. Tax Appeal Tribunal Office, 19, Atbara Street, Wuse II, Abuja

Vehicles

The number of vehicles in the fleet of the Service prior to 2004 totalled about 194 vehicles of various categories including sedans (Toyota and Peugeot) buses (Toyota Hiace and Coaster) and heavy vehicles such as Steyr tankers, trucks and buses and Toyota pick-up vans. The above figure is an estimation because poor record keeping made it impossible to determine the exact number as well as the exact value of the vehicles held by the Service. The estimated combined value of the vehicles as at 2004 was N250,123,051.⁹ As the reforms got underway, improved records keeping has made it possible to determine the exact number of vehicles as well as their value. From 2004 to March 2011, the number of vehicles in the fleet of the Service has increased to 864; an increase of 670 vehicles. In monetary terms, the combined

value of vehicles acquired as at March 2011 stands at N2,707,458,408 indicating a value increase of N2,457,335,357 between 2004 and 2011.¹⁰ The categories of vehicles purchased within the period cut across sedans, buses, vans trucks and jeeps. The sedan, jeeps and buses are Toyota, Peugeot or Mercedes products while the trucks (including tankers) are Steyr products. In 2009, a vehicle policy was approved for the purpose of establishing “consistent guidelines for regulating the purchase, distribution, use, maintenance and disposal of FIRS vehicles.”¹¹ In 2010, a transport policy was approved for the Service with the aim, among others, to “reduce road transport accidents to the barest minimum as well as safeguard FIRS personnel and assets.”¹²

Projects

Projects as used here refer to new constructions, renovation of old structures, purchase and installation of plants and machinery, furniture and fittings and office equipment. . Renovation of offices is generally aimed at the provision of comfortable and adequate office space for staff and waiting rooms for taxpayers and other visitors, car parks, rest rooms, beautification through tiling, gardening, painting and window blinds and other sundry facilities necessary to support a conducive environment for staff and visiting stakeholders. Abeokuta and Akure Integrated Tax Offices were fully renovated between 2008 and 2010. Other offices where renovation work has been completed and in respect of which retention is still being processed include:¹³

- a. Abuja Regional Office/LTO Permanent Site (construction of perimeter wall)
- b. Abuja Tax Appeal Tribunal Office
- c. Ado Ekiti FIRS Permanent Site (construction of perimeter wall)
- d. Ado Ekiti ITO
- e. Bauchi ITO
- f. FIRS Building, Agidingbi, Ikeja
- g. FIRS Building, Awolowo Road, Ikoyi
- h. Gombe FIRS Permanent Site (construction of perimeter wall)
- i. Gusau FIRS Permanent Site (Construction of perimeter wall)

- j. Gwagwalada Tax Academy (perimeter wall)
- k. Ilorin ITO
- l. Jalingo FIRS Permanent Site (construction of perimeter wall)
- m. Kaduna II ITO
- n. Lafia FIRS Permanent Site (construction of perimeter wall)
- o. Lagos Tax Appeal Tribunal Office
- p. Lokoja FIRS Permanent Site (construction of perimeter wall)
- q. Makurdi ITO
- r. Revenue House, Abuja
- s. Sokoto ITO

In addition to the above construction/renovation works which have been completed 100 percent, the following projects are on-going:¹⁴

- a. Abuja Special Tax Audit Office
- b. Adeoyo Ibadan ITO
- c. Benin ITO
- d. Broad Street ITO
- e. Construction of Durumi FIRS Multi-Disciplinary Training Center
- f. Enugu ITO
- g. FIRS Multi-Storey Office Complex, Awolowo Road, Ikoyi
- h. Gwagwalada Tax Academy (construction of access road, culverts, drains and other facilities)
- i. Maiduguri ITO
- j. North-Central Tax Appeal Tribunal, Jos
- k. Northeast Tax Appeal Tribunal, Bauchi
- l. Northwest Regional Office Katsina

- m. Northwest Tax Appeal Tribunal, Kaduna
- n. Owerri ITO
- o. Revenue House (car park along Michael Okpara Road, Zone 5, Wuse)
- p. Southeast Tax Appeal Tribunal Enugu
- q. South-South Tax Appeal Tribunal, Benin
- r. Southwest Tax Appeal Tribunal Ibadan
- s. Stamp Duties Office, Mosaic House, Lagos

Furthermore, as part of the Service re-branding drive, contracts have been awarded for the construction of prototype FIRS ITOs. Currently, contracts have been awarded for the construction of these prototype Integrated Tax Offices in Uyo, Lokoja, Ado Ekiti, Gusau, Lafia, Port Harcourt, Katsina, Jalingo and Onitsha.¹⁵

The department has also, within the period in question, variously facilitated the supply of furniture, window blinds, air-conditioning systems and other office equipments to the following offices of the Service:¹⁶

- a. Benin ITO
- b. Central Area ITO
- c. FIRS Building, Agidingbi, Ikeja
- d. FIRS Headquarters Annex II (ULO Building)
- e. FIRS Office Complex, Awolowo Road, Ikoyi
- f. Garki ITO
- g. Gombe ITO
- h. Ikorodu ITO
- i. Ilorin ITO
- j. Kaduna North ITO
- k. Kano Club ITO
- l. Lokoja ITO

- m. LTO Port Harcourt
- n. Osogbo ITO
- o. Revenue House
- p. Revenue House Annex
- q. Tax Appeal Tribunal Offices in Bauchi, Ibadan, Lagos, Jos

Smoke detectors and associated alarm systems have been supplied and installed at Revenue House, Owerri ITO and LTO Kano. A sprinkler system has been put in place for the protection of Broad Street ITO.¹⁷

The department has also been instrumental in the sinking of boreholes and provision of water in FIRS offices in Revenue House, Agidinbgi-Ikeja, Birnin Kebbi, Makurdi, Jos and Ikoyi. In order to boost electricity supply and lighting, the Service, through the Facility Management Department has acquired and deployed generating sets and transformers to various offices.¹⁸ The offices that have benefited from electrical facilities in this regard include:¹⁹

- a. Adeoyo ITO, Ibadan (200 KVA Transformer)
- b. Agidinbgi, Ikeja (500 KVA Generator)
- c. Apapa ITO (200 KVA Transformer)
- d. Awka (200 KVA Transformer)
- e. Awolowo Road, Ikoyi (500 KVA Generator)
- f. Bauchi ITO (200 KVA Transformer)
- g. Benin ITO (300 KVA Transformer)
- h. Birnin Kebbi (200 KVA Transformer)
- i. Damaturu (200 KVA Transformer)
- j. FESTAC (200 KVA Transformer)
- k. Ibadan Iwo Road ITO (200 KVA Transformer)
- l. Jos (200 KVA Transformer)

- m. Kaduna II ITO (200 KVA Transformer)
- n. Kaduna North ITO (200 KVA Transformer)
- o. Kano Club Road ITO (200 KVA Transformer)
- p. Maiduguri ITO (200 KVA Transformer)
- q. Minna ITO (300 KVA Transformer)
- r. Osogbo (200 KVA Transformer)
- s. Sokoto ITO (200 KVA Transformer)
- t. Wuse Zone 6 ITO (300 KVA Transformer)
- u. Yaba (200 KVA Transformer)

Lifts have also be purchased and installed at Apapa ITO and Awolowo Road Ikoyi.

Outsourcing of Services

Cleaning services had been outsourced even before the onset of comprehensive reforms in 2004. For example, Sylvic Afrique Nig Ltd had been engaged by the Management of the then Federal Board of Inland Revenue around 1992 to provide cleaning services to the headquarters. What was lacking however was a set of comprehensive guidelines on the number and types of services to be outsourced by the Service across board. This situation was taken care of in 2008 when the FIRS Management decided that services such as security, cleaning, fumigation and gardening should be outsourced. This led to the award of those services to 16 service providers nationwide. The service providers engaged for the purpose of providing cleaning, fumigation and gardening services to the Service on the basis of location are:

- a. FCT: PAK Company Ltd and Sylvic Afrique Nig. Ltd
- b. Lagos Island: Maintenance Culture
- c. Lagos Mainland: Zebra Path
- d. North Central Region: Danihopewell Services, Flash Multi-Services Ltd and Cleaning Affairs Ltd
- e. North East Region: Mezzangres Environmental Ltd and Cleaning Affairs Ltd

- f. North West Region: New Capital Engineering Ltd and Violet Parks and Premises
- g. South East Region: Cosmopolitan Cleaners, Executive Cleaners and Mackil Engineering Ltd
- h. South West Region: Prime Rose Enterprises
- i. South-South Region: Cartinal Global Services Ltd and Xeus Nig Ltd

Although the Federal Inland Revenue Service is in the core business of tax administration; to discharge this primary mandate efficiently and effectively, the Service must harness its support services to tie in with its core mandate in a seamless manner that ensures departmental and group functions are synergized towards meeting the strategic objectives of the organisation. Regarding the provision and maintenance of facilities and assets, this means working towards 100 percent attainment of the Vision and Mission goals of the Facility Management Department as stated earlier.

Tremendous progress has been recorded in the area of facility and asset management in the last seven years. This is not to say that everything that ought to be in place is already in place. There are a number of challenges still holding the Service from attaining the place it would like to be. Some of these challenges include:

- a. Delay in statutory and due diligence processes such as property valuation reports from Ministry of Lands, Housing and Urban Development, title search and property documentation, market index and variation, legal processing etc.
- b. Owing to absence of a barcode or other requisite technology for the tracking of fixed assets on a Service-wide basis, there is no Service-wide automated fixed asset inventory and accounting processes. Consequently, the department relies on manual inventory to maintain information in the fixed asset accounting software.
- c. Delay in inter-departmental processes especially in the obtaining of requisite approvals and preparation of legal documents.
- d. Exorbitant rents and the tendency by landlords to increase same on a year by year basis.

Some of the challenges are beyond the operational scope of the Service and would require systemic reforms at a wider level to address. This entails engaging all stakeholders whose processes overlap with the activities of the Service. Such engagements would critically address the areas of overlap of activities with the view to providing agreeable and realistic models and guidelines to address those challenges that inhibit smooth operations in our intercourse. Furthermore, to build on the substantial gains that have been made since 2004, those challenges which are entirely within the purview of the Service's operations need to be address. Going forward, the Service will employ some of these strategies towards achieving a wholesome asset management system:

- a. Greater emphasis towards acquiring real properties as opposed to rent
- b. Greater investment in technology especially in the areas of software applications to ease operations of the department
- c. Review of standards relating to response period within which files must be dispatched
- d. Design of template providing guidelines to enhance timely and prompt procedures for renewal of rents
- e. Design of template stating periodic valuation of all fixed assets, routine checks and maintenance schedules
- f. Training and re-training of staff to provide them with cutting edge expertise in the respective disciplines and skills requisite for driving the departmental vision

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CHAPTER THIRTEEN

SECURITY AND SAFETY MANAGEMENT

The safety and security of people in the work place should matter as much to an organisation as it does to the government. The new FIRS therefore considers it an obligation to make policies and put in place processes that would ensure the security and safety of its employees.

Prior to the commencement of reforms in 2004, security issues were under the management and supervision of the Department of Human Resources. The emphasis was more on security of assets and equipments of the Service rather than safety of staff and visitors. Three security companies were engaged to provide security to the Service's offices. These were Halogeen, Prudential and Salem Security companies. In 2005, the Facility Management Department was created and one of the units under the new department was called the Security and Risk Management Unit under the headship of Engineer Mohammed Lawal Abubakar. In 2007, this unit was upgraded to a division and its scope of responsibilities was increased to cover transport and fleet management. Again in 2009, as part of organisational restructuring, the division was renamed the Security and Safety Management Department to reflect the scope of its new mandate.

The changes that have taken place regarding security and safety management issues can be discussed under the heads of structural arrangements and policies and how ultimately, these changes have impacted positively on the general welfare of the Service.

Policies

The reform era witnessed the drafting of policy statements to serve as guides in the conduct of key functions of the Service. In the area of security and safety management, these policies covered the following areas:

- a. Health, Safety and Environment;
- b. Security;
- c. Transport;
- d. Insurance.

Health, Safety and Environment

The Health, Safety and Environment (HSE) Policy of the Service aims at managing risks within the Service to ensure protection of people, assets, reputation and the environment to enhance organisational productivity. The objective of the policy is threefold. First, it aims at the pursuit of no harm to staff, taxpayers and other stakeholders. Second, it aims at setting realistic and measurable targets as required by the government, community and stakeholders. Third, it aims at developing processes and methodologies that are consistent with the two goals stated above. In the pursuit of these objectives, activities are carried out to ensure that:

- a. Workplace, plants, vehicles and equipments are without risk to the Health, Safety and Environment of employees, customers, stakeholders and property;
- b. Employees are involved in and consulted on HSE matters in order to promote commitment to the policy and its implementation;
- c. Employees, customers and the general public are informed of the HSE policy through display and distribution of copies and the provision of clear lines of communication;
- d. Employees receive adequate information, training and supervision and are sufficiently competent to enable the business to avoid hazards to the HSE ;
- e. There is continuous improvement on the effectiveness of HSE management systems in line with best practices;
- f. The same priority accorded to other critical business activities of the Service is accorded to HSE issues;
- g. Every service provider complies with HSE guidelines;
- h. The HSE policy is subjected to regular and periodic monitoring and review to keep it relevant to current realities.¹

Security

The security policy of the Service is captured in five statements thus:

- a. The FIRS as a policy, shall provide a safe and secure workplace for its staff, customers and stakeholders;
- b. FIRS will provide the leadership and resources required to protect its people, assets and information;
- c. FIRS expects its staff to actively participate in the organisation's efforts to continuously improve security and safety;
- d. FIRS will demonstrate its commitment to and accountability for security concerns by communicating security expectations to staff; implementing best practices in security measures to mitigate threats and risks; ensuring security programmes are routinely tested, results evaluated, corrective actions taken and performance monitored; ensuring that violations of FIRS policies are investigated and appropriate actions taken.
- e. Staff participation and accountability is essential in sustaining an effective security programme. The Service holds staff accountable for the conduct of business in a manner consistent with sound practices and in compliance to applicable policies and laws. The Service further holds its staff to identify critical assets of the Service and put in place measures to protect such assets; report security incidents and threats to staff and assets; and suggest improvements in FIRS practices and control measures.²

The security policy further stipulates a dual operational security package termed Executive protection and staff and office protection. The Executive Protection Policy provides as follows:

- a. Management staff from the rank of Coordinating Director (CD) and above shall be entitled to armed policemen as well as civil guards deployed at their residences. The number of guards will be determined by the level of threat established through periodic assessment and the government's guidelines on the strength of armed policemen that can be deployed to the Service.

- b. A comprehensive risk assessment must be conducted and gaps closed prior to approving residential premises for staff from the rank of CD and above.
- c. The residence of the Executive Chairman of the Federal Inland Revenue Service (ECFIRS) will be guarded by armed policemen at all times while residences of other members of top management will be so guarded for at least 12 hours a day.
- d. The ECFIRS shall be entitled to two armed police escorts at all times.
- e. A CD shall be entitled to armed police support whenever official duties require him to travel outside Abuja.
- f. Private guards on security duty at residences of top management shall be changed as often as required; armed policemen every two years and chief security detail to ECFIRS every four years or less.
- g. Access control at the residences of top management will include the provision and maintenance of CCTV, panic alarm systems and infra red monitors.
- h. All security personnel at the residences of top management must have access to effective communication system, GSM phones and hand-held two-way radios.
- i. All residences of top management must be installed with security windows and electronically controlled doors.
- j. All residences of top management must be fitted with back-up generating sets and fuel in order to provide constant illumination at night.
- k. The ECFIRS shall be entitled to three vehicle convoy whenever on the road. All three vehicles shall be fully equipped with up-to-date communication.
- l. All drivers working with top management must possess training in safety and defensive driving and security.
- m. Background checks must be conducted on all employees in the residences of top management.
- n. Security assessment must be conducted for cities and locations where the ECFIRS is due to visit.
- o. The ECFIRS and CDs shall be provided with private security guards for a period of three years after retirement.³

The FIRS security policy on staff and office protection provides as follows:

- a. All FIRS offices nationwide shall be provided with armed security personnel. The number shall be determined by the recommendation of the mandatory risk assessment to be conducted periodically for all office locations and the number of armed police available to the Service.
- b. All FIRS offices and residences of Regional Coordinators (RCs) shall be provided with private security guards.
- c. All FIRS offices nationwide shall be provided with electronic access control and surveillance systems to include CCTV, electronic detectors, hand-held scanners and panic alarm systems.
- d. All employees of the Service and visitors to FIRS office premises must wear approved identification badges issued to them before being allowed into FIRS premises.
- e. Any FIRS staff may request to be reposted from duty post as a result of threat to his/her security or may request for armed or private guard in the discharge of official duties where his/her security is in issue.
- f. A safety and security risk assessment shall be conducted on any property that FIRS is interested in purchasing or leasing before conclusive action may be taken.⁴

Transport

The policy on transportation is aimed at reducing road transport accidents; safeguard FIRS personnel, assets and reputation; and ensure that drivers and staff comply with traffic laws and regulations. The policy statements require that:

- a. All FIRS vehicles must have functional safety equipments (fire extinguisher, caution sign, first-aid box);
- b. All journeys must be approved;
- c. All journeys must follow the Journey Management Plan;
- d. All vehicles must have log-book which must be regularly updated.

All persons who drive, or are likely to drive FIRS vehicles are required to possess the requisite certification. Drivers are required to pass eye vision test, driving skills and driving education programme. Other strategies aimed at achieving the transport policy objectives include:

- a. The use of seat belts while driving;
- b. Biannual inspection of all vehicles to determine roadworthiness;
- c. Non-accident bonus to drivers who did not record any accident throughout the year.

Furthermore, driving FIRS vehicles after 8:00pm or before 6:00am even on official business is prohibited except with approval by the Management. Finally, road transport accidents are to be reported verbally immediately they happen and within 72 hours in writing to the nearest police station, the immediate supervising officer and the Security and Safety Management Department.

Insurance

In 2008, an insurance policy was approved by the Management of the Service. The policy covers:

- a. Fire and special peril: This aspect of the policy covers FIRS buildings and office equipment in the event of fire and special perils. The claim shall be supported with estimate of repairs, fire brigade report invoices and such other evidence that may be appropriate to support that the damaged stock existed hitherto;⁵
- b. Combined workmen's compensation: This aspect compensates an insured FIRS staff for death or bodily injury occasioned by accident in the course of work. In the case of bodily injury, the claim must be supported by the medical bill, sick leave certificate, picture of injured staff, police report, final medical report stating percentage of disability, payslip for three months preceding the accident. In the event of death, the claim must be supported by the death certificate and where available, the burial certificate. The benefit payable to the next of kin in case of death is three times and half times the staff's annual emolument;⁶

- c. Burglary/House breaking: Loss or damage to FIRS property occasioned by forcible and violent entry into FIRS premises is covered under this policy. Claims must be supported by a police report, report of security guard on duty, breakdown of stolen/damaged goods, invoices and other relevant supporting documents;⁷
- d. Public liability policy: Visitors who suffer bodily injury or death within FIRS premises or who incurred damage or loss to vehicle or equipment within FIRS premises and have established liability against the Service by way of litigation are covered under this aspect of the policy;⁸
- e. Private/Commercial vehicle policy: The policy compensates the Service against loss or damage to FIRS vehicles including fire and theft. It also covers liability to third parties for bodily injury or death. In case of accident the claim must be supported by estimate of repairs, police report and a copy of the driver's license. In the case of theft, the claim must be supported by an interim police report and if the vehicle is not recovered after one month, a final police report;⁹
- f. Group life policy: The policy compensates a staff covered under it in the event of death other than by suicide. The staff's pension account is credited with three years' total emolument to be accessed by the next of kin. The claim has to be supported by the death certificate and where available, the burial certificate.¹⁰

Since implementation in 2008, the total claims successfully made by the Service across the spectrum of the various insurance policies amounts to N228, 394, 423. 16.¹¹

Organisational Structure

On Thursday, 8 of February, 2007, there was a fire incident on the second floor of the Revenue House.¹² This led to the creation and subsequent inauguration of a VANGUARD TEAM¹³ on 15 May, 2007. The team comprised of 5 staff drawn from different departments and was saddled with the responsibility of conducting fire drills on the last Saturday of every month, sensitising staff on safety issues, how to use fire fighting equipment as well as guarding against any fire outbreak(s). In furtherance to this, the Management of the Service decided that same year (2007), that the Security and Risk Management Unit be carved out of the department of Facility Management and upgraded to a division with an added responsibility of managing the Transport Unit.

In July, 2007, a meeting was held with representatives of Shell Petroleum Development Company where some staff of the Security and Risk Management Division were trained on HSE issues after which a structure was developed to effectively support the division in delivering on its mandate. The name of the division was then changed from Security and Risk Management to Security and Safety Management Division under the headship of Engineer Aloysius Sunday Ogbodo. In January, 2009 the division was restructured as a department giving birth thereby to the Security and Safety Management Department. The objectives of the Security and Safety Management Department are summarized below:

- a. To identify potential hazards to the personnel/people and institute necessary safety measures;
- b. To continuously study/monitor installations and facilities for potential risks to personnel/people and advise on remedial safety measures;
- c. To protect FIRS and its assets against external and internal threats;
- d. To prevent unauthorized physical access to FIRS facilities, equipment, materials, information and documents;
- e. To safeguard FIRS facilities, equipment, materials, information and documents against espionage, sabotage, damage, tampering, theft and other covert or overt acts;
- f. To initiate and implement fire prevention, detection, suppression and protection measures;
- g. To secure FIRS assets and personnel against different risk exposures, such as fire disaster, natural disasters, sudden death, robbery attacks and loss of assets as well as accidents, errors, etc.;
- h. To initiate and implement emergency procedures and safety drills for the entire Service;
- i. To initiate and implement policy on Fleet Management¹⁴ and logistics support;
- j. To provide health support and advisory services in liaison with hospitals and clinics;
- k. To initiate, and implement the installation of modified surveillance system in major FIRS facilities;

1. To develop and implement security policy in liaison with Information and Communication Technology and other relevant departments, which would then drive the implementation of such key issues as business continuity and disaster recovery plan for FIRS.

To effectively drive forward the above functions, the department has been structured into four component units based on functional areas. These units are:

- a. Outsourced Security Services;
- b. Headquarters Security Protocol;
- c. Health, Safety & Environment;
- d. Fleet Management.

Outsourced Security Services

The functions of the Outsourced Security Services include the following:

- a. Monitoring and co-ordination of security service providers to FIRS offices nationwide;
- b. Co-ordination of security policy implementation;
- c. Monitoring of physical security technology implementation in FIRS facilities nationwide;
- d. Monitoring of environmental security implementation.

Headquarters Security Protocol

- a. Provision of Executive Security Protocol services in liaison with the Nigerian Police Force, State Security Service and other stakeholders;
- b. Development, monitoring, implementation and review of all relevant policies.

Health, Safety and Environment

- a. Management, design, installation of safety devices such as fire detection/alarm system, fire fighting equipment, etc on FIRS facilities;

- b. Formation/training of Vanguard Team on emergency response and fire fighting/equipment handling in all FIRS offices nationwide;
- c. Development of Health, Safety and Environmental (HSE) policies and monitoring of implementation;
- d. Management of all insurance policies.

Transport/Fleet Management Process

- a. Management of FIRS fleet and technical advice on fleet maintenance/procurement/operation;
- b. Management of FIRS drivers;
- c. Development and review of transport policy for the Service.

The achievements recorded by the department since its creation may be discussed under four sub-heads namely general activities; records, responses to specific security issues and safety drills.

General Activities

- a. Engagement of insurance companies and brokers for all staff;¹⁵
- b. Insurance of all FIRS vehicles;¹⁶
- c. Procurement and installation of fire fighting equipment in all FIRS offices nationwide;¹⁷
- d. Creation and maintenance of a data base for all FIRS vehicles;¹⁸
- e. Engagement of 6 security service providers for all FIRS offices nationwide;¹⁹
- f. Installation of fire detection equipment in about 40 offices nationwide;²⁰
- g. Effective liaison with all security agencies for back-up (NPF, SSS, FRSC);
- h. Engagement of well experienced security consultants;²¹
- i. Engagement of a Security Adviser to the Executive Chairman;²²
- j. Sensitisation of staff on emergency procedure and fire fighting through the vanguard team in all FIRS offices nationwide;
- k. Conduct of regular and continuous evacuation drills in FIRS offices nationwide;

- l. Development of FIRS owned fleet control centre;²³
- m. Regular inspection of FIRS premises to identify hazards, put/recommend control measures;
- n. Procurement of additional operational vehicles nationwide;
- o. Increment in the size of fleet;²⁴
- p. Improvement in the provision of executive protection;
- q. Inspection and preparation of security and safety reports and advisory prior to events that will involve FIRS management staff and/or a number of FIRS staff;
- r. Development of a transport policy guideline;²⁵
- s. Closer monitoring of the performance of security service providers through the deployment of regional representatives;
- t. Training of al FIRS staff in the headquarters and offices within Abuja on medical emergency;²⁶
- u. Development and approval of various policies;²⁷
- v. Engagement/ recruitment of contract drivers in conjunction with FRSC and Vehicle Inspection Office (VIO).²⁸

Records

The following records are kept by the department:

- a. Security & Safety incidents;
- b. Payment of bills for security services;
- c. FIRS offices having security & safety installations;
- d. All FIRS vehicles;
- e. All accidented vehicles;
- f. Repairs of vehicles;
- g. Allocation of vehicles;
- h. Fire fighting equipment;

- i. Newspapers clippings of security & safety incidents;
- j. Financial implication for security services nationwide;
- k. Security, Safety & Transport policies;
- l. Life and general insurance claims.

Specific security issues and actions taken

Although the department has evolved over time and recorded enormous transformation, these feats did not come without some specific security threats. Among the security issues encountered was the fire incident which broke out on the second floor of the Revenue House on Thursday, 8 February, 2007. This gave birth to the inauguration of the Vanguard Team on 15 May, 2007 and subsequent installation of fire fighting equipment such as smoke detectors and fire extinguishers in Revenue House and all Integrated Tax Offices (ITOs). Recently also, on the 4 March, 2011, there was a fire inferno on the Lagos Island office of the Service.

The kidnap and subsequent death of a Regional Co-ordinator in 2010 necessitated the partnership with the Nigerian Police Force, State Security Service and other security agencies. The theft of vehicles has also brought to the use of car tracking devices in all FIRS vehicles. Plan is also underway to extend the installation of the tracking device to the cars of staff for a period of time.

Safety drills

Since it began operation as a department in 2009 and till date, the Security and Safety Department has been conducting various safety drills ranging from emergency evacuation drills to medical drills. The department has undertaken to regularly improve safety alertness in staff. A medical emergency training was held for all staff of Revenue House and offices within Abuja from 14 June 2008 to 1 November, 2008 at the NICON Luxury Hotel, Abuja. Resource persons for the training included experts, medical doctors and consultants from the National Hospital, Abuja. The training centred on basic life support/resuscitating skills during incidents such as; choking, near drowning, electric shock, severe smoke inhalation, and severe asthma attack. Practical training sessions were carried out and certification test/exams were administered at the end of each session to measure the level of understanding

of each participant. Any participant who scored below 60% was required to repeat the training.

Going forward, the department has reviewed its operational manual to reflect a structure of the organisational chart, and has included an additional unit whose functions would include all technical activities in other units. Hence, technical activities which were hitherto functions of various units would be pulled out and merged to form the functions of the new unit to be named the Technical, Security and Safety Unit. The proposed Technical, Security and Safety Unit would have the following functions:

- a. Technical inspection of FIRS locations to ascertain the need for the installation of security/safety equipment (e.g. fire extinguishers, fire alarm system, surveillance system, electronic access control, panic alarm system, etc.);
- b. Preparation of Bills of Quantities (BOQ) and technical specifications for the procurement and installation of security/safety equipment;
- c. Initiate process for the procurement of the equipment;
- d. Participation in the technical/financial evaluation of contractors in the Procurement Department;
- e. Handing over of sites to contractors prior to commencement of work and supervision/testing of the installations before issuance of job completion certificates to the contractors;
- f. Initiate process for the engagement of competent companies to carry out after sales maintenance of equipment;
- g. Periodic inspection/testing of the installed security and safety equipment to ascertain conditions and make recommendations for servicing, repairs or upgrade;
- h. Monitoring of the performance of the companies engaged for the after sales maintenance contract and making recommendation for renewal/termination of the contract;
- i. Research on current, useful and relevant security & safety equipment;
- j. Training of some FIRS staff on the use of the installed security & safety equipment.

Furthermore, the operational manual is currently undergoing approval processes. When approved as proposed, the operational manual would also reflect an administrative unit merged with the Management Information System (MIS) Unit which would be responsible for carrying out financial control. Other plans by the department include the following;

- a. Obtain and distribute fire fighting equipment to all FIRS offices nationwide;
- b. Organise continuous and in-depth training programme for staffs of S &SM;
- c. Organise medical emergency training for all staff;
- d. Monitor all offices of the Service for security and safety issues;
- e. Draw up a programme for training on evacuation drills for all staff nationwide;
- f. Introduce electronic surveillance system e.g. CCTV cameras;
- g. Partner with the Corporate Communications Department to conduct regular sensitisation and education to staff on security issues;
- h. Work hand in hand with the consultant to tackle security issues and come up with the best practices;
- i. Redesign the operational manual to include recent changes and achievements in the department;
- j. Train regional representatives on how to tackle and report security issues in the regions;
- k. Launch a protection programme that will roll out management and protection information.

In the words of William O. Douglas²⁹ “Security can only be achieved through constant change, through discarding old ideas that have outlived their usefulness and adopting others to current facts.” The various strategies, activities, policies and restructuring efforts in the foregoing analysis are in recognition of this simple truth. It is hoped that with the trend already set, and the strategies proposed going forward, the security and safety policies, practices and guidelines of the Service will become a model for other organisations in Nigeria and beyond.

References

- 1 Health, Safety and Environment (HSE) Policy of FIRS.
- 2 Security Policy for FIRS.
- 3 Ibid.
- 4 Ibid.
- 5 FIRS Insurance Policies.
- 6 Ibid.
- 7 Ibid.
- 8 Ibid.
- 9 Ibid.
- 10 Ibid.
- 11 Ibid.
- 12 Headquarters of the Federal Inland Revenue Service.
- 13 A group of FIRS staff trained on emergency response and fire fighting/equipment handling.
- 14 Maintenance of cars through methods such tracking and insurance.
- 15 This was commenced on the 1st of July 2007.
- 16 Same as 10 above.
- 17 Commenced from 2007.
- 18 Operational from 2008.
- 19 Prior to 2008, only 3 service providers were engaged the number was increased to 6 in 2008.
- 20 Same as 14 above.
- 21 Effective form 2009.

- 22 Same as 16 above.
- 23 A centre used for the monitoring of vehicles.
- 24 From less than 200 to 864 as at March, 2011 (over 400% increase).
- 25 A policy guiding the purchase, usage, allocation, maintenance and disposal of all FIRS vehicles.
- 26 The medical emergency training was conducted from the 14th of June, 2008 to the 1st of November, 2008.
- 27 Policy on Executive Protection, Security, HSE, Transport, Vehicles and Insurance were developed in 2008.
- 28 169 contract drivers were recruited in 2010.
- 29 William O. Douglas (1898- 1980) was a U.S Supreme Court Justice.

CHAPTER FOURTEEN

COOPERATION AND COLLABORATION

Background

Instances of interface between the FIRS and its stakeholders predate the reform era. For example, since the introduction of value added tax in 1993, MDAs, corporate and individual taxpayers who qualify as VATable persons have acted as VAT collecting agents for the Service. Similarly, since the introduction of withholding tax in the late seventies, these categories of taxpayers have also acted as withholding tax agents for the federal revenue authority. Without their interface, it would have been difficult for the Service to have effectively administered these taxes on behalf of the Federal Government. Other government institutions such as the Legislature and the Judiciary had at relevant periods, provided, respectively, the legal framework for taxation as well as the enforcement capacity to ensure government revenues are recovered. At the international level, collaboration between the Service and other partners such as the International Monetary Fund had been going on even before the reforms of 2004 commenced. What novelty, therefore, has the reform era introduced in the manner of stakeholder interface? The answer to this question lies in the new orientation that is an intrinsic attribute of the reforms agenda. This orientation seeks to re-focus the Service as, not just the government's "cash cow" but as a "customer-centric" organization; it perceives taxpayers, communities and organisations not just as a sources of revenue, but as clients and collaborators whose satisfaction is central to the organisational goals of the Service. It is this new orientation that has been the driving force behind the efforts to systemize the Service's approach to, and manner of engagement with all its stakeholders. In addition, to this new orientation, the collaborative efforts of these stakeholders have impacted greatly on the successes recorded by the Service. This chapter shall examine the levels of interface between the Service and these institutions and how that interaction impacts on the mandate of the Service. The institutions include:

- a. the Nigeria Customs Service;
- b. the Central Bank of Nigeria;
- c. Banks;
- d. the Federal Ministry of Finance;
- e. the Corporate Affairs Commission;
- f. the National Assembly;
- g. the Nigerian National Petroleum Corporation;
- h. the National Salaries, Incomes and Wages Commission;
- i. the Revenue Mobilisation, Allocation and Fiscal Commission;
- j. Ministries, Departments and Agencies of Government;
- k. Taxpayers;
- l. the United Nations Development Programme;
- m. the Department of International Development;
- n. the International Monetary Fund;
- o. the World Bank; and
- p. the Organisation of Economic Cooperation and Development.

The Nigeria Customs Service (NCS)

The Nigerian Customs Service is statutorily vested with the power to assess, collect and account for all customs and excise duties. Ancillary to the foregoing primary functions, the NCS further carries out the duties of preventing smuggling activities, advising on, and implementing trade and fiscal policies.¹

As the two foremost revenue collecting agencies of the Nigerian Government, the activities of the NCS and the FIRS are necessarily collaborative. There are several instances of collaboration between the two revenue agencies. First, the Nigerian Customs Service is one of the agencies of the federal government that is statutorily required to sit on the FIRS Board.² The NCS is therefore, involved in the policy formulation process of the FIRS. Second, the NCS is an agent of the Federal Inland Revenue Service for the collection of

value added tax on imported goods. All amounts so collected are paid into a dedicated account with the Central Bank of Nigeria (CBN). The NCS is also required by the Value Added Tax Act to render, on monthly basis, returns of VAT collected and lodged in the CBN.³ The third area of collaboration, which is a direct reform era initiative, is the FIRS-NCS Integration Project. The objective of the project is to establish a platform that guarantees real time exchange of data between the two revenue agencies. The hardware required for the project has been procured and installed and tested; preliminary software application tests have also been successfully conducted and data exchange between the two agencies has commenced on a minimal scale, pending the conclusion of other prerequisite factors which are still outstanding. The steps to be taken in addressing the outstanding issues and ensuring a seamless, high scale of data exchange between the FIRS and the NCS are discussed in full on the chapter on automation of key processes.

The Central Bank of Nigeria (CBN)

In addition to its role as the government banker, the Central Bank of Nigeria is also responsible for the setting of monetary policy and regulation of banking and financial services in the country. The CBN Mission is “to be proactive in providing a stable framework for the economic development of Nigeria through the effective, efficient and transparent implementation of monetary and exchange rate policy and management of the financial sector.”⁴

The CBN is also represented on the FIRS Board and is one of the institutions whose representation was introduced by the FIRS Establishment Act 2007.⁵ Under the erstwhile Federal Board of Inland Revenue, the CBN was not represented. The representation of the CBN on the FIRS Board is an acknowledgement of the critical role the bank plays in the formulation of monetary and fiscal policy. The first level of interface, therefore, is that the CBN is part of the policy formulation process of the FIRS. The second level of interface is made possible by the respective statutory mandates of the two organizations; where one is the government’s taxman and the other is the government banker. As government banker, the CBN is naturally the custodian of all tax revenues collected by the FIRS. The automation of the tax collection process makes this level of cooperation more efficient than what was obtained in the pre-reform era. The process of collection begins with payment by taxpayers into any of the collecting banks in the country. The payments into collecting banks are

automatically swept into designated accounts with the lead banks which in turn remit the collection to the CBN within two days. The FIRS monitors remittances to the CBN on a daily basis and is able to track such remittances real time via auto-swift.⁶ As a result of this, interactions between the FIRS and the CBN occur on a daily basis.

Banks

Apart from being taxpayers, banks also relate with the FIRS as collecting agents. For this purpose, the banks are classified into collecting banks and lead banks. The collecting banks receive payments from taxpayers and other non-bank collection agents⁷ and remit the monies paid to them to the lead banks. Upon receiving the remittances from the collecting banks, the lead banks in turn remit to the Central Bank of Nigeria. The major area of interface between the FIRS and the banks is information sharing and monitoring. Monitoring of banks is done through:⁸

- a. On-line monitoring via Project FACT (web portal/pay direct)
- b. Daily monitoring of remittances to CBN via CBN Statements
- c. On-line viewing of foreign payments
- d. Auto swift-viewing online FIRS transactions in CBN
- e. JP Morgan statement of account (in respect of foreign payments)

Taxes received by collecting banks must be remitted to a lead bank that same day while lead banks must transmit payments received from collecting banks to the CBN within two days. The Service signed Tax Collection, Remittance and Reconciliation agreements with the four lead banks spelling out the rights and obligations of parties under the contract.

Federal Ministry of Finance

The Federal Ministry of Finance has always played key, sometimes overarching roles, in the affairs of the Service. Under the 1993 re-organization, the Director in charge of Planning, Research and Statistics in the Federal Ministry of Finance was a member of the Federal Board of Inland Revenue. The 2007 FIRS Establishment Act also provides for a representative of the Finance Minister “not below the rank of a Director.”⁹ Beyond representation on the FIRS Board, the Federal Ministry of Finance is the “parent” Ministry of the Service and the

Finance Minister has executive oversight functions over the affairs of the Service. Section 51 of the FIRS Act specifically subjects the FIRS Board to the “general direction” of the Finance Minister. The oversight functions of the Minister are performed in different ways. First, the Service accounts for all revenues collected by it to the Federal Government. The accounting procedure is done by generating revenue collected through the web portal, pay-direct, JP Morgan statement of account and auto-swift; receipt of VAT on imports from the NCS and reconciliation of remittances with collecting banks, lead banks, CBN and the NCS. The accounting is done to the Accountant General of the Federation and other stakeholders such as the Federation Account Allocation Committee. Ultimately, however, as the cabinet member directly responsible for the Federal Government’s finances, the Minister has oversight over the entire process. It is therefore, not out of place to say the Service accounts for revenue collected to the Federal Government through Finance Minister. Second, all policies, including legislative initiatives, originating from the Service must pass through the Federal Ministry of Finance. For example, most of the eight reform tax bills that went to the National Assembly in December 2005 originated from the Service. However, they were presented by the President to the National Assembly as executive bills. Similarly, the National Tax Policy document was driven principally by the FIRS but its presentation to the Federal Executive Council in January 2010 was done by the Finance Minister.

Third, various tax laws vest the Finance Minister with powers to carry out certain actions that have direct impact on taxation in the country. For example under section 19 (2) of the Personal Income Tax Act¹⁰ the Finance Minister is empowered to add to the list of persons exempted from payment of income tax in Nigeria as contained in the Third Schedule to the Act. Also section 12 of the Value Added Tax Act empowers the Minister to modify the rate of VAT. These are just two instances of cases where tax legislations confer powers on the Minister to embark on actions that would directly impact on the functions or activities of the Service. As the federal ministry responsible for management of the economy, it is natural that the Federal Ministry of Finance should interface with the federal tax collector, given the role of taxation in the economic development of the nation.

Corporate Affairs Commission (CAC)

The Corporate Affairs Commission is a creation of the Companies and Allied Matters Act Cap C20 Laws of the Federation of Nigeria 2004. The Commission is responsible for the regulation of companies and corporate practice in Nigeria. The Commission is represented

on the FIRS Board by the Registrar General of the Commission or his representative not below the rank of Director. This provision contained in section 3 (2) (i) of the FIRS Establishment Act is a carry over from the arrangement under the defunct FBIR.

In addition to participation in policy formulation for the Service, the CAC collaborates with the Service essentially in two areas namely the administration of stamp duties and data/information sharing. At the point of incorporation or any change in the business of a company that requires an alteration to the articles and memorandum of association, the company is required by law to pay stamp duties. In practice, therefore, stamp duties commissioners usually work within the premises of the Commission's offices. Another level of interfacing involves the use of the commission's database by the Service to keep track of tax defaulting companies. In the near future, it is expected that the Corporate Affairs Commission would make the taxpayer identification number a requirement for the incorporation of companies. This will provide the FIRS with a comprehensive database of corporate taxpayers, with a view to tracking their compliance levels.

The National Assembly (NASS)

The National Assembly is a bicameral legislature made of the House of Representatives and the Senate. It is the vested with the legislative powers of the Federal Republic of Nigeria.¹¹ The National Assembly provides the legal basis, not just for the existence of the FIRS, but for the business the FIRS does. The enabling law setting up the FIRS is an Act of the National Assembly. All the laws administered by the Service as contained in the First Schedule to the Act are also Acts of the National Assembly. Indeed the Service is the only agency of government empowered to administer federal taxes. This explains why even tax decrees that were passed by the military governments are deemed to be Acts of the National Assembly, the administration of which is vested in the Service.

Within the Protocol and Relationship Management Unit of the Corporate Communications Department in the FIRS, there is an External Relations Sub-unit which is responsible for managing the relationship of the Service with all its external stakeholders. Within the sub-unit, there is a dedicated desk for National Assembly matters. The National Assembly desk is tasked with the responsibility of tracking all tax related bills or other bills in the National Assembly that have the potential of impacting on the operations of the Service. This is to

enable the Service, through appropriate lobby, to make inputs into such bills in a manner that will not adversely affect its operations.

Another level of interface between the FIRS and the National Assembly is through budgetary matters and funding of the Service. The funding of the Service comes from a percentage of all non-oil and gas revenue generated by it as determined and appropriated by the National Assembly.¹² The Service therefore, submits its budgetary proposals to the National Assembly and must defend such proposals before appropriation is made for its funding in accordance with the provisions of section 15 (a) of the FIRS Establishment Act. The power of appropriation vested in the National Assembly confers on it oversight powers to monitor the expenditure of federal Ministries, Departments and Agencies, MDAs, the FIRS inclusive.

The Nigerian National Petroleum Corporation (NNPC)

The Nigerian National Petroleum Corporation (NNPC) is the state oil corporation through which the federal government of Nigeria regulates and participates in the country's petroleum industry. The NNPC was established on 1 April, 1977, from the merger of the Nigerian National Oil Corporation and the Federal Ministry of Mines and Steel. Just as under the erstwhile FBIR, the NNPC is represented on the FIRS Board.¹³ Beyond being involved in policy formulation for the FIRS, collaboration with the NNPC is crucial for the Service in the assessment and collection of petroleum profits tax and royalties. The NNPC represents the Nigerian Government in all transactions with foreign actors in the Nigerian petroleum industry. The corporation is the party to all Joint Venture Agreements or Production Sharing Contracts as the case may be. As it were, therefore, the Service depends on the Corporation to determine the profits accruing to the oil companies under the relevant agreement for the purpose of petroleum profits tax.

The National Salaries, Income and Wages Commission (NSIWC)

At various times since 1934, ad-hoc Commissions or Panels were set up by government to deal with issues relating to salaries and wages of Nigerian workers.¹⁴ In its report, the Udoji Commission on the review of the Public Service (1972–1974) recommended that a permanent body be constituted to inter alia, take care of annual reviews of wages and salaries in the Public Service.¹⁵ These developments provided the background to the establishment of the NSIWC by decree 99 of 1993.¹⁶

The Commission's mandate is to review, from time to time, salaries and remunerations of employees in the public service. As an agency of government, the periodic review of salaries and emoluments of employees of the Service fall within the purview of the Commission. This, essentially, forms the area of interface between the Service and the Commission. In 2007, the Service, in line with its newly acquired autonomous status increased the salaries of its staffs in order to motivate them to higher productivity. This required the approval of the Commission and through collaborative efforts; the Commission gave its approval. Again in 2011, the Service was able to obtain the approval of the Commission for an upward review of staff salaries and emoluments.

Revenue Mobilization, Allocation and Fiscal Commission (RMAFC)

The RMAFC, like the NISWC, came into being after series of commissions had been inaugurated in the past to carry out the functions eventually bestowed on it. Again these commissions were ad-hoc in nature until the inauguration of the National Revenue Mobilization Allocation and Fiscal Commission on 6 September, 1988 under the chairmanship of retired General T. Y Danjuma. Based on the recommendations arising from its assignment, the Commission was conferred with corporate personality and perpetual succession by decree No 49 of 1989.¹⁷ Equally, section 153 (1) of the 1999 Constitution provides for the continued existence of the Revenue Mobilization Allocation and Fiscal Commission. The Commission was represented on the Federal Board of Inland Revenue and continues to be so represented under the new FIRS Board.¹⁸

The functions of the Commission include the fixing of salaries of political office holders and the determination of revenue sharing formula among the three tiers of government. The rationale, and manner of interface between the two government agencies is informed by their roles; one as a revenue generating agency and the other as a revenue sharing agency. This makes it crucial that the two organs collaborate in data and information exchange as well as policy formulation.

The Economic and Financial Crimes Commission

The Economic and Financial Crimes Commission is an anti-graft agency of the Nigerian Government mandated to fight official corruption and other crimes of financial nature. One of the organs of the Commission responsible for the monitoring of illicit funds is the

Nigerian Financial Intelligence Unit, NFIU. It is through this organ that the EFCC and the FIRS collaborate. The collaboration is essentially in the area of information and data exchange to ensure on the one hand, that monies recovered by the EFCC are taxed appropriately and on the other hand, that suspicious transactions are brought to the attention of the Commission for investigation and sanctions.¹⁹

Government Ministries, Departments, Agencies and other Tax Agents

The nature of interface between the FIRS and the above categories of stakeholders is defined by various tax legislations in the country. Under the combined effect of sections 69, 70, 71, 72 and 73 of the Personal Income Tax Act Cap P8 Laws of the Federation of Nigeria 2004, any person making payment to another person is required to deduct, at source, a percentage of income tax at the prescribed rate and remit same to the relevant tax authority. The types of payment attracting such deduction include, but are not limited to:

- a. Rent;
- b. Interest or royalty;
- c. Dividend;
- d. Director's fees.

It is under the provisions of the above sections; particularly section 73, that withholding tax is deducted on commissions, consultancy fees, agency fees and other categories of payments. Section 74 makes it an offence for failure to comply with sections 69-72. The Companies Income Tax Act; the Value Added Tax Act and the Federal Inland Revenue Service (Establishment) Act 2007 also provide for deduction and remittance of taxes. Section 40 of the FIRS Act provides that:

Any person who being obliged to deduct any tax under this Act or the laws listed in the First Schedule to this Act, but fails to deduct, or having deducted, fails to pay to the Service within 30 days from the date the amount was deducted or the time the duty to deduct arose, commits an offence and shall, upon conviction, be liable to pay the tax withheld or not remitted in addition to a penalty of 10 per cent of the tax withheld or not remitted per annum and interest at the prevailing Central Bank of Nigeria minimum re-discount rate and imprisonment for a period of not more than three years.

The Personal Income Tax Act; the Companies' Income Tax Act and the Value Added Tax Act are contained in the First Schedule to the FIRS Establishment Act. Further, the punishment under the FIRSEA is more severe than those prescribed by either PITA or CITA. This is significant because section 68 (2) of the FIRSEA provide that if the provisions of the Act and those of any other tax law are inconsistent, the provisions of the FIRSEA shall prevail. Consequently, failure to deduct or remit tax by a person who is obliged to do so under any tax law may attract the stiffer penalties prescribed under the FIRSEA rather than the tax law in question.

All MDAs, contractors and agents, whether withholding tax agents or VAT agents are statutorily obliged to deduct and remit tax collected by them to the tax authority within the time reserved by the relevant laws. The obligation to deduct and remit tax makes these categories of stakeholders agents of the Service. Tax agents are obliged to issue receipts or credit notes to the payee for future reconciliation, while the payments received by them are paid into relevant accounts with any collection bank.

Taxpayers

Taxpayers are the most important stakeholders because they are *sine quo non* for the existence of the Service. Without taxpayers, there will be no basis for the creation of a tax collection agency. Levels of interface between the Service and taxpayers include taxpayer registration, assessment, collection, and where there is disagreement over assessment, appeals.

The primary focus of all engagements with this category of stakeholders is to ensure voluntary compliance. Some of the strategies embarked upon since 2004 to smoothen interactions with taxpayers include taxpayer education services, SERVICOM and the practice of corporate social responsibility. All these strategies are aimed at not just enlightening the taxpaying public but also engendering confidence in the tax system. Details of how the Service has implemented these strategies are discussed in other chapters.

Apart from Nigerian stakeholders, the FIRS interfaces with a number of international development partners in order to achieve excellence in its operations. These partners include the United Nations Development Programme, the Department for International Development, the World Bank and the International Monetary Fund.

United Nations

The United Nations was founded on 24 October 1945 by 51 countries committed to promoting global peace in the aftermath of World War II. Today the United Nations comprises of 193 member states from all the continents of the world.²⁰ The major objectives of the United Nations are four namely:

- a. To keep peace throughout the world;
- b. To develop friendly relations among nations;
- c. To help nations work together to improve the lives of poor people; conquer hunger, disease and illiteracy; and to encourage respect for each other's rights and freedoms;
- d. To be a centre of harmonizing the actions of nations to achieve the goals above.

The United Nations consists of six main bodies namely:

- a. The General Assembly;
- b. The Security Council;
- c. The Economic and Social Council;
- d. The Trusteeship Council;
- e. The International Court of Justice; and
- f. The Secretariat.

In addition to the six main organs above there are several other Agencies, Commissions, Committees, Funds, Programmes and groups either created by the United Nations or affiliated to it through which the body implements its programmes and activities. One of such committees is the Committee of Experts on International Cooperation on Tax Matters which is a subsidiary of the Economic and Social Council. The mandate of the 25 member Committee is to:

- a. review and update as necessary the United Nations Model Double Taxation Convention between Developed and Developing Countries and the Manual for the Negotiation of Bilateral Tax Treaties between Developed and Developing Countries;

- b. provide a framework for dialogue among national tax authorities in order to promote cooperation;
- c. consider how emerging issues can affect international cooperation in tax matters and develop appropriate recommendations;
- d. make recommendations for capacity building and technical assistance to developing countries and countries with transitional economies;
- e. Give special attention to developing economies and economies in transition with respect to the above issues²¹

Members of the Committee are appointed to a four year term by the Secretary General of the United Nations after notification is given to the Economic and Social Council. Appointed a member of the Committee by the Secretary General in November 2009, the Executive Chairman of the FIRS heads the Capacity Building Sub-committee of the Committee of Experts on International Cooperation on Tax Matters. Since 2009, therefore the Service, through the Executive Chairman has been partaking in the meetings of the Committee held over five days every year in Geneva, and contributing to the actualization of the Committee's mandate.

Another agency of the United Nations with which the Service has had series of engagements and cooperation is the United Nations Development Programme, UNDP. The United Nations Development Programme (UNDP) is the United Nations' global development network. It advocates for change and connects countries to knowledge, experience and resources to help people build a better life. UNDP operates in 166 countries, including Nigeria and works with nations on their own solutions to global and national development challenges. As they develop local capacity, they draw on the people of UNDP and its wide range of partners. In the course of the FIRS reforms, the UNDP has partnered with the Service in the areas of taxpayer enumeration and procurement process re-engineering. The taxpayer enumeration project funded by the UNDP to the tune of USD 3, 172, 200. 00 was executed under a three-tier consultancy structure involving 23 consultants made up of one Lead Consultant, six Regional Consultants (one for each of the six geo-political regions of Nigeria) and 16 States Consultants to ensure coverage of the entire country within the shortest possible time.²² The project was aimed at widening the tax net through a survey of actual

and potential taxpayers across the entire country and taking the resulting data as well as data from various secondary sources into an electronic register that will compliment the development of a National Taxpayer Identification initiative. The project was conceptualized to yield the following deliverables:²³

- a. Design of a taxpayer data warehousing system;
- b. Specification of the taxpayer warehousing system requirements;
- c. Design, verification and validation of a taxpayer data capture and entry process;
- d. Identification of primary and secondary taxpayer data collection source;
- e. Synthesis reports on the gathering and collation of taxpayer data from the different coordinating regions;
- f. Development of an updated and revised taxpayer database in both hard and electronic copies;
- g. Standardized taxpayer database questionnaires and templates at the Regional and State Levels, Senatorial Districts/LGAs/Districts in the State;
- h. Development of a robust and complete electronic taxpayer database continuously linked to identified third party sources (including but not limited to the Corporate Affairs Commission, Banks, Nigerian Customs Service, National Population Commission, EFCC/NFIU for regular updates;
- i. Report on the gaps between potential assessments and actual assessments as well as on strategies for closing the identified gaps;
- j. FIRS Staff with the requisite capacity to continually develop the taxpayer data warehouse.

The following benefits were realised at the end of the project:

- a. A survey report of actual and potential taxpayers across the entire country, thereby widening the tax net;

- b. An electronic register of taxpayer that complimented the development of National Taxpayer Identification initiative;
- c. An initial building block for the development of a robust and user friendly National Taxpayer Database;
- d. Valuable information on regional variations in taxpayers, used in the formulation of tax policies provided the guide to determine the gap between tax assessment and tax yield potentials and strategies for narrowing the gap the between potential and actual taxpayers.

The Procurement, Inventory and Logistics Reform Project was the second project funded by the UNDP. It was based on the recognition that the FIRS needed to reorganize and restructure some of its key functions in line with global best practices. Procurement and Due Process, Facility Management and Stores/Inventory Management sub-functions were among those identified for urgent and comprehensive attention in this regard. The objective was to develop an effective procurement and inventory management system for the Service with a view to enabling a highly professionalized, standardized and computerized system of procurement and logistics management that prides itself in best practices among federal establishments with highly motivated and well trained personnel. The scope of the project is as follows:

- a. Procurement: Review of all processes relating to the sourcing and acquisition of requirements as well as eventual disposal;
- b. Inventory: Review of all processes relating to materials, receipts, issues and general warehousing matters;
- c. Facility: Review of all processes relating to the management and maintenance of assets such as buildings, vehicles, computers, air conditioners, furniture, generating sets and other machines and properties of FIRS; and
- d. Computerization: Computerization of the operations of procurement, inventory and facility management process.

The UNDP budgeted for, and disbursed the sum of USD 50,000.00 for the Procurement, Inventory and Logistics Reform Project.

The UNDP has also provided a platform for experience sharing and capacity building. One such event was the South-South Sharing of Successful Tax Practices Conference held between 22 and 23 May 2008 at the School of Law, New York University on the theme “Revenue’s Role in the Quest for Inclusive Development: What Works and What can Work Better?” In all, representatives of 17 countries/international organizations shared perspectives and ideas on various sub-themes. The Executive Chairman of the Federal Inland Revenue did not only benefit from insights from other presentations, but also shared the Nigerian experience on the topic “The Nigerian Experience on Organisational Issues and Training.”

The third United Nations agency that has collaborated with the Service in promoting the reform objectives is the United Nations Department of Economic and Social Affairs. Between 7 and 8 June 2011, Nigeria participated in an “Informal Meeting on Practical Transfer Pricing Issues for Developing Countries” organized under the auspices of the United Nations Department of Economic and Social Affairs in New York, United States. The country was represented by the Director Large Tax Department, of the Federal Inland Revenue Service. Mr. A. J Bamidele.

Finally, the United Nations Conference on Trade and Development, UNCTAD, in its partnership with the Nigerian Government to promote foreign direct investment produced a manual titled “Blue Book on Best Practices in Investment Promotion and Facilitation.” The book contains among other proposals, a measure to “streamline the tax system.”²⁴ The action plan involved three steps namely:

- a. Incorporate feedback on the draft and publish the final version of the Presidential Committee on the Review of Incentives, Waivers and Concessions;
- b. Undertake a fiscal study on the impact of the proposals contained in the report and based on this, prepare a new fiscal framework; and
- c. Introduce the new measures into the 2010 budget

The above steps summarizes UNCTAD’s proposal on streamlining the Nigerian tax system to support the inflow of foreign direct investment into the country.

Department for International Development UK (DFID)

The Department for International Development is a United Kingdom government department whose goal is to promote sustainable development and eliminate poverty. The DFID's main programme areas of work are education, health, social services, water supply and sanitation, government and civil society, economic sector (including infrastructure, production sectors and developing planning), environment protection, research, and humanitarian assistance.

In 2004, the Service commenced a process of re-organization in order to ensure proper people management. The process was aimed at re-aligning, re-focusing, motivating and re-invigorating the workforce and instilling it with core values of professionalism, integrity and efficiency. The DFID approved the funding of the Integrated Human Resources Payroll and Pension Management Systems, covering three major components:²⁵

- a. Human Resources Process Re-engineering;
- b. Payroll and Pension Software Implementation; and
- c. Connectivity across the Service.

The DFID budgeted for, and disbursed the sum of £1,255,942.22 for the project which was to be done through Crown Agents for Project Management, Software Licenses, Hardware Systems, and Internet Connectivity and Recurrent costs. The objectives of the project were as follows:²⁶

- a. The delivery of an integrated payroll and personnel application solution that will enable FIRS better manage personnel budgets and respond to evolving organisational requirements;
- b. The provision of easy access to people data to inform people management decision-making;
- c. Ensuring that the provision of common and shared data by the applications of choice will facilitate a seamless join-up between FIRS transactions and the planning and operational responsibilities of other key stakeholders;

- d. The achievement of very significant reduction in levels of payroll and pensions fraud;
- e. To develop the required skills to drive a service-oriented organization.

The project was conceptualized to offer the following deliverables:

- a. Hardware and inter-connectivity;
- b. HR software implementation– SAP HR;
- c. HR diagnostics report;
- d. Records registry reconfiguration and reorganization;
- e. Organisational structure and organogram;
- f. Staff audit;
- g. Schedule of proposed manning levels;
- h. Operational manuals;
- i. Training needs analysis (Process Manual);
- j. Train the Trainer Programme;
- k. HR Management training– personnel officers;
- l. Training and development report–internal/external;
- m. Staff verification exercise;
- n. ID card renewal;
- o. Document warehousing;
- p. On-going capacity-building with staff and project partners.

A number of benefits were realized at the completion of the project. These included:

- a. A professionally conducted verification exercise that produced final records of authentic FIRS employees and pensioners;
- b. Training Needs Analysis (TNA) report;
- c. Re-organised employee records registry;

- d. Partial installation of HR software solution– SAP HR;
- e. The determination of manning levels to support and drive the reform;
- f. The establishment of a secure ID card system;
- g. Capacity building through gap-analysis and training interventions.

The Human Resources Processes Re-engineering component of the Integrated Human Resource Payroll and Pension Systems (IHPPS) Project was not executed satisfactorily, hence the re-implementation of this component in version 2 (2008-2011) of the Modernisation Programme.

Another area of collaboration between the DFID and the Service was in the area of engaging a Special Advisor to the Executive Chairman of the Federal Inland Revenue Service on documentation and communication. The DFID disbursed the sum of £ 61,810.00 for this purpose.

The International Monetary Fund

The International Monetary Fund, IMF, was one of the earliest international partners to identify with the Nigerian tax system reforms. The Fiscal Affairs Department of the IMF visited, on the request of the Nigerian Government, and advised on the need to modernize the tax administration system. The recommendations of the IMF were critical in the setting up of a Modernisation Governance Structure as well as the entire modernisation programme of the Federal Inland Revenue Service.²⁷ Details of the Modernisation Plan have been discussed in the chapter on modernisation.

Currently, the IMF is collaborating with the Tax Policy Department of the Service to review extant tax legislations in Nigeria with a view to rephrasing the provisions of the legislations in plain, simple English for ease of understanding. It is hoped that this project would enhance understanding of provisions of tax laws. This would reduce compliance cost and promote voluntary compliance with tax laws.

The World Bank

The involvement of the World Bank in the Nigerian tax system reforms is under the auspices of the Economic Reform and Governance Project, ERGP. The ERGP is funded from a

share of the International Development Assistance, IDA, contracted by the Nigerian Government for public sector reforms, under the administration of the World Bank. The aim of the ERGP for Nigeria is twofold; first, is to improve the Federal Government's economic and financial management systems and processes; and second, is to firmly establish a reform process of the Federal Civil Service to improve professionalism and the government's ability to deliver services.²⁸ The following projects of the Service have been funded through the ERGP:

- a. Engagement of a Special Advisor to the ECFIRS on documentation and communication;
- b. Integrated Human Resource, Payroll and Pensions System: This was specifically for the engagement of an HR consultant to re-engineer and re-organise the HR functions of the FIRS, for the implementation of the SAP (HR) software already acquired by then;
- c. Taxpayer Identification Numbers project and capacity building for the Joint Tax Board;
- d. HR Re-Engineering Project;
- e. ERGP Tax Reform Assistance for consultancy, goods and training.

In addition, several staffs of the Service have benefited and continue to benefit from capacity building and skills development training through the instrumentality of the ERGP.

Organisation of Economic Cooperation and Development (OECD)

On 14 December 1960, 18 European countries, Canada and the United States signed the Convention to create the Organisation of Economic Cooperation and Development, OECD, as a vehicle to drive global development. The Convention came into force on 30 September 1961.²⁹ The mission of the OECD which currently comprises of 34 member countries is to promote policies that will improve the economic and social well being of people around the world. In order to promote its work outside non OECD countries, the organisation has created a network of global partners under the oversight of the Global Relations Secretariat, GRS. The GRS develops and oversees strategic orientations between the OECD and non OECD members on a regional basis. The Sahel and West African Club creates and facilitates

engagements between the OECD and West African countries. Actual implementation of OECD programmes and initiatives is done through its committees.³⁰

The OECD-Africa engagement in the area of development of tax systems is driven by the Tax Development programme of the OECD's Committee on Fiscal Affairs, CFA, and the Development Assistance Committee, DAC in partnership with the African Tax Administrators Forum, ATAF.³¹ Since the creation of ATAF in 2009, the OECD has facilitated 32 capacity building events for ATAF members on a wide range of issues include transfer pricing, tax treaties, tax administration and exchange of information. Nigeria's FIRS has not only benefitted from these events, it has hosted some of them. The Service partook in the "Workshop on Exchange of Information in Tax Matters" held in Gaborone, Botswana between 8 and 10 November 2010 as well as the workshop on "Organisation and Management of Tax Administration" which was held between 29 August and 2 September 2010 in Port Louis, Mauritius. The Mauritius event was co-facilitated by the International Monetary Fund, IMF. The Service also hosted a workshop on "Transfer Pricing Guidelines" in Abuja between 29 November and 3 December 2010. Details of the outcomes of these workshops have already been analysed in the preceding section on ATAF. The latest OECD event hosted by the Federal Inland Revenue Service was the "Technical Event on Exchange of Information" held in Abuja between 31 October and 4 December 2011.

At the moment, there is no policy in place defining modalities for FIRS' engagement with its stakeholders; rather, the recognition by the Service that its strategic organisational goals cannot be achieved without stakeholder collaboration informs the nature and manner of interface with each stakeholder.³² This is in order that FIRS might be able to access their support in its bid to make taxation the pivot of national development. To the FIRS, the importance of stakeholders' management or liaison is to support the Service in achieving its mission and vision by interpreting and influencing both the internal and external environments and by so doing, create positive relationship with stakeholders through the appropriate management of their expectations and agreed objectives.³³ Going forward, it is hoped that the Management of the Service will hasten the approval of the FIRS Draft Policy on Corporate Social Responsibility. The draft policy, which outlines the modalities for stakeholder engagement, will provide a framework for sustainable interface and collaboration with all stakeholders of the Service.

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CHAPTER FIFTEEN

INTERNATIONAL INVOLVEMENT

Increased globalization, expansion in international trade and removal of border and trade restrictions would help re-direct increased focus on the challenges faced by regulators and especially tax administrations in dealing with the rising sophistication of business arrangements. Also, we recognise that most African countries fall within this category and are therefore more in need of the tools required in resolving this challenge.¹

Background

The realities of globalization have made it imperative for governments and their agencies to collaborate on issues that affect or have the potential to affect their common interests. International trade, foreign direct investment, movement of labour and capital across borders and recently transfer pricing are some of the issues in international economic relations that are of concern to tax authorities of different countries. In order to derive the most out of international aspects of taxation and still maintain cordial relations with foreign countries, governments have resorted to the formation of multilateral organizations to serve as umbrellas under which these concerns are explored and ideas shared. The Federal Inland Revenue Service has, in recent times, assumed the status of a key player in some of these organizations which include:

- a. the Commonwealth Association of Tax Administrators (CATA);
- b. the African Tax Administrators Forum (ATAF);
- c. the Value Added Tax (VAT) Administrators in Africa (VADA); and
- d. the West African Tax Administrators Forum (WATAF)

Commonwealth Association of Tax Administrators (CATA)

The Commonwealth Association of Tax Administrators, CATA, was formed following the decision of Commonwealth Finance Ministers at a meeting in Barbados in 1977.² Following the decision, the CATA Constitution was drawn up and an Interim Management Committee was elected at the meeting of senior tax administrators of Commonwealth countries held in London from 22 May to 23 May 1978. Nigeria was one of the 27 countries that enrolled as initial members of the association. Initially, limited staff support was provided by the Commonwealth Secretariat until July 1980 when an Executive Secretary was recruited and an office was set up within the Commonwealth Secretariat premises.³ During the first few years, CATA functioned mainly as a clearing house and undertook only a limited range of activities such as organizing annual technical conferences and publishing a quarterly Newsletter. In 1983, CATA mounted its first training programme in the United Kingdom—the Advanced Management Training Programme for senior tax officials.⁴

The growth and development of CATA in terms of its stature and the scope of its activities has been recognised by the Finance Ministers of the Commonwealth first in 1986 and again in 1997 through the issuance of joint communiqué at the conclusion of their annual meetings held in St Lucia and Mauritius respectively. The membership of CATA has since grown to 48 countries, making it the largest organisation of its kind in the world. The main objective of the association is to promote the improvement of tax administration in all its aspects within the Commonwealth with particular emphasis on developing countries. To this end the activities of the Association include:⁵

- a. Holding meetings of technical and administrative personnel in tax administration for the exchange of ideas and experiences;
- b. Organizing seminars, workshops and training courses on aspects of tax administration;
- c. Collecting, analyzing and disseminating information on tax administration;
- d. Providing directly or collaborating with, and generally facilitating, the work of bilateral and multilateral agencies providing technical assistance and research facilities in the field of tax administration; and

- e. Generally carrying out functions related to the overall improvement of the capabilities of tax administrations through functional co-operation between and among Commonwealth countries.

Since joining as a foundation member, Nigeria has participated in CATA activities which include technical workshops, training and capacity building programmes, consultancy services, publication of newsletter, and information sharing. Some of the CATA activities in which the Service participated between 1978 and 2004 are as follows:

- a. Nigeria was one of the 27 Commonwealth countries that signed the CATA Constitution on 23 May 1978 at the Commonwealth Secretariat Marlborough House Pall Mall London SW1Y 5HX thereby making her a foundation member. Other countries represented were Australia, Bangladesh, Botswana, Canada, Fiji, The Gambia, Ghana, India, Jamaica, Kenya, Malaysia, New Zealand, Papua New Guinea, Sierra Leone, Singapore, Sri Lanka, Tanzania, Tonga, Trinidad and Tobago, United Kingdom, Western Samoa and Zambia;
- b. Nigeria hosted the 13th Technical Conference of the Commonwealth Association of Tax Administrators in 1992;
- c. Nigeria's Federal Inland Revenue Service hosted CATA Executive Committee meeting in Abuja in 2004.

Building on its past performance within the association, Nigeria's Federal Inland Revenue Service participated in the 27th CATA annual technical conference/workshop and 20th general meeting in 2006. The two functions were held on 13 August and from 14 to 18 August 2006 respectively in Port Louis, Mauritius. The meeting was inaugurated by Honourable Minister of Finance Mauritius, Rama Sithanen and was attended by 113 delegates from 29 member countries including Nigeria and special guests from China, Japan, Thailand and Zanzibar and international organizations were also represented. It was at that meeting that Nigeria's FIRS' staff, Chris Onyegbule was elected the Regional Director, Northern Africa. Nigeria also participated in the Management Committee meeting upon being elected in Port Louis in 2006 and was to hold that position for the period of three years. Other members of the Committee were United Kingdom, New Zealand, Trinidad and Tobago,

Pakistan, Malta, Australia, Canada, Cameroon, India, Lesotho, Malaysia, Malawi and Mauritius.

Nigeria was re-elected a member of the CATA Management Committee at the general meeting of the association held in Malawi in September 2009. Other members of the Management Committee are Australia, Canada, Malaysia, Lesotho, Papua New Guinea, Malawi, Kenya, Barbados, The Gambia, Malta and the United Kingdom. Two officers of Nigeria's Federal Inland Revenue Service, Chris Onyegbule and Malik Tukur are Regional Director (North Africa) and Country Correspondent respectively of the Commonwealth Association of Tax Administrators.

CATA takes training programmes for its members seriously and as a result organizes series of such programmes. Nigeria has been a beneficiary in the scheme. For instance, Nigeria participated in the Advance Management Potential (AMP) training in 2006 for senior tax officers at Lawress Hall, Lincoln, United Kingdom in July 2006. The Nigerian representatives at the training were Mrs. Olufunlola Adediran, Mr. Ahmed Aliyara Ibrahim, Mr. Kinsley Ikechi Okengwu and Ms Queensley Seghosime. Also, Nigeria participated in the 2006 Commonwealth Tax Inspectors Course (CTIC) at the Lawress Hall, Lincoln, United Kingdom on July 31 2006. Nigerian representatives were Mr. Rasheed Giwa, Mr. Kudu Adamu Mohammed, Mr. Cutberth Nwaiwu and Mr. Mutawakil Saliu.

The CATA country correspondent in Nigeria, Malik Tukur, reports CATA progress in Nigeria for the CATA Newsletter. In the March 2007 edition of the CATA Newsletter, Mr. Tukur reported the progress made by the FIRS in the reform process including FIRS strategic reforms on bank collection; the development of reliable taxpayers' database; building of networking infrastructure at the headquarters and in all the Integrated Tax Offices; connection of all tax offices and Revenue House to the Interswitch; configuration of all collecting banks on Pay-direct for FIRS tax collections; enablement of online real-time tracking of payments; enablement of online real time tracking of Pledged Treasury Bills; provision of single view of all collections in all tax offices; ability to generate real time payment report; opening of domiciliary account for Central Bank of Nigeria for FOREX taxes; and a coded CBN account for accounts consolidation.

Between 10 October and 16 October 2010, Nigeria hosted the 31st technical conference of CATA on the theme "Taxation of Specialized Sectors and Exchange of Information:

Domestic and International.” In all, twelve technical papers were presented at the plenary session; at the end of which the conference broke into five syndicate groups. The five syndicate groups were mandated to brainstorm and come up with suggestions on the following topics:⁶

- a. Administrative mechanisms to deal with specialized sectors;
- b. Effectiveness of tax incentives for specialized sectors;
- c. Access to records and documentation of specialized sectors for tax purposes;
- d. Impact of global recession on tax revenue from specified sectors;
- e. Automation to support exchange of information.

Some of the recommendations of the syndicate groups included, but were not limited to the following:

- a. Setting up of specialized tax units to deal with specialized sectors;
- b. Judicious granting of tax incentives with a view to ensuring that the benefit derivable outweighs the cost;
- c. Enhancing the capacity of, and encouraging tax administrators to engage in information sharing.

From the viewpoint of participants, especially Nigeria’s Federal Inland Revenue Service, the following useful lessons were acquired at the end of the conference.⁷

- a. The CATA 2010 Technical Conference largely achieved its objectives in that it provided participants the opportunity to compare notes with colleagues from tax jurisdictions spread across the Commonwealth nations. The exposure availed the participants an opportunity as to how issues in tax administration are being addressed elsewhere, and how lessons learnt may be adapted in tackling similar issues within their respective local environments.
- b. The two topics of the conference, namely; “Taxation of Specialized Sectors” and “Exchange of Information” acquired added significance in the wake of the global financial crises and the need to crack down on international tax havens. It was

particularly recognised that information exchange between jurisdictions should be carried out through Double Taxation Agreements (DTA) or Tax Information Exchange Agreement (TIEA), which are both essential in addressing international tax avoidance and evasion issues.

- c. The presentation on the telecommunications sector by Kenya was very revealing. It is suggested that the general rate of 5% VAT on airtime should be collected from service providers directly, such that the appointed card distributors and retailers are not required to account for the tax as it is the practice in Kenya. FIRS should create an ICT platform whereby VAT on all calls made and other services rendered are automatically swept into an FIRS account immediately the calls are made. In addition to these, royalty (i.e. granting, assigning or surrender of any right) should be considered as a service and hence, subject to VAT. These recommendations should be adopted to cover Internet Service Providers (ISPs), digital satellites, pay TVs, and by extension, all government contracts. This can be done by taking advantage of the two NIBSS Electronic Funds Transfer (NEFT) platforms of Real Time Gross Settlement (RTGS) which are managed by Inter-switch and the Central Bank of Nigeria's Nigerian Inter-Bank Settlement System (NIBSS).
- d. The discussions of the different syndicate groups showed that a high percentage of tax revenue is derived from a relatively low percentage of taxpayers, which include those in the high value specialized sectors of banking, insurance, petroleum, air, shipping and telecommunications. The complexity and risks associated with these sectors, especially those that are involved in global activities have justified creating specialized units to deal with these specialized sectors. In the Nigerian case, it is recommended that these specialized units be located within the Large Taxpayer Offices. This is to enable a more focused and effective monitoring approach to identify the activities in these sectors for tax purposes. It will also result to a better assessment of the activities of these specialized sectors for more rationalized decision making at the policy level.
- e. While it will be cost effective to allocate scarce resources to those high value specialized sectors, it should however be noted that the creation of special units should consider among other things, the size of the economy and the number of

taxpayers operating in that particular sector. To this end, it is advised that Management should first, ascertain whether the tax control framework adequately captures the myriad of transactions; second enhance the use of computer-aided audit tools such as Audit Command Language (ACL) or Integrated Data Extraction and Analysis tools (IDEA); and third, source appropriate training to achieve better understanding of the operations of these sectors.

- f. In addition to creating specialized tax units, there is the need to ensure that tax inspectors, auditors and investigators alike, have the required specialized knowledge and skills. Capacity building should be given due importance and three suggestions were made thus: First, a National Tax Academy, having the status of a university should be established to take care of the training requirements of taxation of specialized sectors as is done in Malaysia. Second, collaboration with international organisations such as OECD should be enhanced to facilitate training for tax officers; and third tax programmes should be designed with assistance from academic institutions and approved by the appropriate authorities to build capacity of tax officers in specialized skills and technical experience.
- g. Tax incentives are only beneficial if they are appropriately granted. More so, tax incentives alone will not influence investment decisions and should be considered along with other factors. On the whole, the at least four considerations are pertinent in granting tax incentives. First, tax incentives when granted, should be for a shorter duration (with a provision for renewal) as opposed to long term tax incentives which are mere pain killers. Second, there should be proper economic analyses before tax incentives are granted. This is to compare the benefits of incentives with tax expenditure/loss. Third, incentives should be granted on the basis of industrial perspective as against individual. Finally, incentives must be legislated and all tax exemptions be enshrined in the laws.

In addition to technical papers and intellectual brainstorming, visiting delegates were treated to “sights and sounds” of Nigeria. This package included a welcome dinner by the Executive Chairman of the FIRS; a dubar hosted by the Niger State Governor, Dr Babangida Aliyu in Minna, the Niger State capital; Lagos Night and Delta Night hosted by the Lagos and Delta

State Governments respectively; Nigerian Night and CATA Night. During the CATA night delegates turned out in their various national attires.

Value Added Tax Administrators in Africa (VADA)

The idea for the formation of a forum for value added tax administrators in Africa was conceived in 1998 by Edward Odondo who, at the time was the Commissioner in charge of the value added tax department of the Kenyan Revenue Authority.⁸ The forum which started with a communiqué issued in Nairobi, Kenya, on Friday, 20th November 1998 and consisted of four foundation members namely; Kenya, Uganda, Tanzania and Rwanda now has 15 participating countries including Kenya, Uganda, Tanzania, Nigeria, Ghana, Malawi, Togo, Ethiopia, Lesotho, Zimbabwe, Sierra Leone, Botswana, Rwanda, Zambia and Cote'd Ivoire.⁹ Initially, the secretariat was located in Nairobi, Kenya until August 2001, when the forum adopted its Constitution in Livingstone, Zambia and decided to move the secretariat to Accra– Ghana.¹⁰ The forum was formed with the aim of bringing together commissioners and administrators of value added tax on the African continent for the purpose of sharing ideas and experiences in order to ensure best practices.

The vision of VADA is to create a viable international organization that will serve as a rallying point for the solving of African tax problems within the context of revenue mobilization for development of the economies of African countries. VADA aims to eliminate or considerably reduce dependence on external borrowing to finance development projects on the continent.¹¹

Nigeria's participation in VADA activities prior to the reform era was minimal. Although employees of the Service had severally indicated interest in participating in VADA functions, delay in approvals always affected the country's participation in the past leading to a situation where Nigeria mostly depended on Ghana for update on VADA issues.¹² Nigeria renewed her commitment to the ideals of VADA with the hosting of the 13th annual conference of the association in Abuja between 26 October and 30 October 2010 on the theme "The Challenges of VAT Operations in the 21st Century Africa". Delegates from eight other African countries were in attendance. These were Uganda, Malawi, Lesotho, Ghana, Tanzania, Sierra Leone, Ethiopia and Zimbabwe. Also in attendance were the VADA Secretary Welbeck Asamoah and Crown Agent Julian Adey.¹³ The Coordinating Director Tax Operations Group

of Nigeria's FIRS, Samuel Sunday Ogungbesan was inaugurated as the new VADA Chairman. He took over from Anthony Ewerekpo Minlah of Ghana's Revenue Service.

Delegates at the conference shared experiences on issues bordering on the administration of VAT in their respective countries. Some of the issues discussed included potentials and challenges. Technical papers were also presented at the conference and delegates agreed that going forward, four technical meetings should be held in a year before the annual conference. The delegates broke into five syndicates to deliberate on the drafting of a strategic plan for the association. The syndicate groups were each assigned one of the following topics to deliberate on:¹⁴

- a. Getting the basics/foundations right and doing them better;
- b. Expand the current membership;
- c. Introduce a staff exchange programme;
- d. Prepare and issue best practice notes Prepare and issue best practice notes;
- e. Introduce a formal qualification.

The above discussion points were hinged on the crafting of a strategic plan for the association. The five syndicate groups deliberated and came up with the following suggestions:¹⁵

- a. The association's website should be fully operational with email addresses of key members of revenue authorities;
- b. E-mail addresses should be linked to VADA site;
- c. Sponsored links should be on the website;
- d. Communiqués from workshops should be posted on the website and also published in VADA magazine;
- e. Changes in the law of individual countries should be posted on the country link or directly on VADA site;
- f. VADA secretariat should have personal contact/email addresses of members;
- g. Going forward, at least half a day should be dedicated to syndicate sessions and a full plenary afterwards to agree on proposals and issue a communiqué on what was agreed;

- h. Technical meetings should be held in between conferences;
- i. Membership base should be increased to facilitate increased financial base;
- j. Members should bear costs of flight and per diem while the secretariat should bear cost for accommodation and resource persons during technical sessions;
- k. Consultants should be taken from within countries where conferences are held to reduce cost;
- l. Secretariat should come up with donor strategies to support running cost;
- m. Membership expansion should be driven through letters, personal contact, reports of technical sessions, distribution of constitution, circulation of success stories arising from VADA activities, invitation to VADA conferences and the platform of the African Union;
- n. Each member of VADA must submit to VADA secretariat an appointed liaison officer by 31st January, 2011;
- o. Nigeria should draft the profiles of exchange candidates by 31st of June 2011, this will be passed to the secretariat and in turn passed to members who have till the end of June to accept;
- p. Each member country should also forward to the Secretariat the cost implication to attend on daily basis by 31st August, 2011. The member countries will put forth three names for exchange to start the pilot by October 2011;
- q. Uganda, Sierra Leone, Ethiopia and Lesotho were nominated to constitute the best practice review team and mandated to submit best practice notes for ratification before the next VADA conference;
- r. Lesotho was mandated to conduct a review of existing programmes which are organized by other revenue authorities whether inside or outside the VADA group to be reported back to the secretariat by March 2011;
- s. The next host of the conference will compile the strategic plan for ratification before the conference;
- t. The new chairman committed to releasing at least two FIRS staff to the VADA course/ secretariat and an executive committee because communication by e-mail and phone calls are not enough.

The delegates committed to the realization of the VADA Strategic Plan and tentatively agreed that the next conference should be hosted by Rwanda. Tanzania and Sierra Leone tentatively pledged to host the conference in 2012 and 2013 respectively.

African Tax Administrators Forum (ATAF)

The African Tax Administrators Forum (ATAF) was inspired by the deliberations at the “International Conference on Taxation, State Building and Capacity Development in Africa” held in Pretoria, South Africa from 28 to 29 August 2008. Commissioners, senior tax administrators and policy makers from 28 African countries resolved to work towards the establishment of the ATAF.¹⁶ This dream was actualised with the formal launch of ATAF in November 2009. The ATAF is therefore a platform to promote and facilitate mutual cooperation among African tax administrations and other relevant and interested stakeholders with the aim of improving the efficiency of tax legislation and administration on the continent. ATAF brings together heads of African tax authorities or their representatives to discuss the progress made, challenges faced and possible new directions for African tax policy and administration in the 21st Century.¹⁷ Specifically, the forum was established to achieve the following objectives:¹⁸

- a. To enhance the professionalism of African tax administration and ensure strategic dialogue at higher levels to link up with the global arena;
- b. To enhance best practices of tax administrations worldwide through research and the development of good financial guidelines for Africa by the provision of a checklist/model for African countries to build their own tax legislations;
- c. To work on tax evasion and avoidance;
- d. To develop key relations between tax authorities and civil societies;
- e. To ensure synergy in building capacity development among member countries and engage with other global bodies;
- f. To provide a mechanism for African countries to advance in areas of tax matters.

The vision of the forum is “to promote efficient, effective and economic tax administration to foster economic growth and improved service delivery for the improvement of living standards of people living in Africa” the mission is “to encourage and support new

partnerships among all African countries in developing the capacity of African Tax Administrations in their ability to achieve their revenue objectives.”¹⁹

Nigeria is not just a founding member of ATAF but also one of the ten council member countries of the forum. The other nine are: South Africa, Rwanda, Senegal, Gabon, Morocco, Ghana, Botswana, Zimbabwe and Kenya. Furthermore, Nigeria is also a member of the ATAF Secretariat. In 2010, based on the request of the ATAF Secretariat, the Service seconded one of its staff, Femi Edgal to the ATAF Secretariat.

In the about two years since the formation of ATAF, Nigeria (FIRS) has played leading roles at the forum’s meetings and activities. These include Nigeria’s participation at the ATAF-OECD “Workshop on Exchange of Information in Tax Matters” in Gaborone, Botswana from 8th to 10th November 2010 and the 2nd ATAF Council Meeting between 15th and 16th November 2010 at the Sheraton Tunis, Tunisia. Nigeria also hosted a workshop session on transfer pricing in Abuja between 29 November and 3 December 2010. The workshop which was organized in collaboration with the Organization for Economic Cooperation and Development (OECD) featured technical papers and syndicate group discussions. At the end of the workshop, the following issues were agreed upon by the participants:²⁰

- a. Establishment of specialist transfer pricing units;
- b. Countries to adopt transfer pricing legislations with support from specialist ATAF Unit while learning from other ATAF members;
- c. Review existing transfer pricing legislation;
- d. ATAF to help build capacity through practical workshops/audit skills, data generation and access to experts;
- e. Encourage cooperation between States through exchange of information/Double Taxation Agreements;
- f. Work with other organizations;
- g. Create a link between transfer pricing and tax avoidance;
- h. ATAF to consider Francophone needs by providing facilitators at events;

- i. Create ATAF website and allow access to documents;
- j. Establish ATAF Guidelines for Transfer Pricing and Transfer Pricing Legislation;
- k. Ensure a balance between revenue protection and encouraging investment;
- l. Encourage business input to transfer pricing to resolve administrative problems;
- m. Bridge the North/South hemisphere gap.

The Forum, in collaboration with the OECD and the IMF organized a workshop on the theme “Organization and Management of Tax Administration(s)” which was hosted by the Mauritius Revenue Authority in Port Louis, Mauritius, from 29th August to 2nd September 2011. The workshop, which attracted participants from all member organizations including the Federal Inland Revenue Service was aimed at providing a broad overview of principles and practices of organizations and management of tax administrations. The focal areas included:

- a. Values of tax administration;
- b. Fairness;
- c. Integrity;
- d. Autonomy;
- e. Accountability;
- f. Tax policy and implementation;
- g. Role of tax administration in legislation;
- h. General design considerations and institutional solutions;
- i. Developments in organisational structure of tax administration;
- j. Taxpayer segmentation;
- k. Understanding taxpayer needs and behaviour;
- l. Compliance risk management and strategies to improve taxpayers compliance.

Some of the activities outlined by the ATAF Secretariat before the end of 2011 are as follows:

- a. Transfer Pricing: Implementation and Case Studies (26th to 30th September);
- b. Organization and Management of Tax Administrations (29th August to 2nd September);
- c. Exchange of Information: Policy and Design, Legal, Administrative and Operational Aspects (31st October to 4th November).

West African Tax Administrators Forum (WATAF)

The Executive Chairman of the Federal Inland Revenue Service, Ifueko Omoigui Okauru, convened a meeting of tax administrators within the West African sub-region on 12 September 2011. The main objective of the meeting was to establish a platform to enhance information sharing and collaboration among tax authorities in the sub-region. In addition to Nigeria; four other countries were in attendance at the meeting. These were The Gambia, Ghana, Liberia and Benin Republic. The countries in attendance subscribed to the objective of the meeting and further agreed to collaborate with the Economic Community of West African States, ECOWAS, to enhance membership mobilisation. The second meeting of the group was held in Monrovia, the capital city of Liberia and ECOWAS was represented. The group adopted the name West African Tax Administrators Forum, WATAF, in Monrovia, and agreed that the association should hold quarterly meetings while the legal framework for the organisation is being developed. The third meeting of the association was fixed for 12 March 2012 in Banjul, The Gambia.

As the convener of the forum, Nigeria is playing a key role in steering the association and at the Banjul meeting; the interim secretariat of the WATAF was ceded to Nigeria. The Service is working with the other members and the Federal Ministry of Finance to develop the necessary instrument to confer legal status on the association.

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CHAPTER SIXTEEN

TAX TREATY NETWORK AND TRANSFER PRICING

Background

The global economy has become so interlinked that countries can no longer operate their economies in isolation, especially nations desirous of economic growth and development. Nigeria is cognizant of this fact and has actively engaged its economic partners in various parts of the world with the aim of fostering mutually beneficial economic ties. Such ties are based on bilateral agreements and Nigeria has a number of such agreements with partner nations. Such bilateral agreements with respect to tax are Double Taxation Agreements (DTAs). A double taxation agreement is a reciprocal arrangement whereby two countries agree not to tax the income of individuals or companies brought or received into their territory if such individual or company had already paid tax on such income in the other country. The rationale behind these treaties is to encourage international trade and commerce by reducing the cost of doing business internationally. The DTAs to which Nigeria is signatory usually specify areas which are itemized in the form of articles specifying the responsibilities and privileges of the contracting States. These areas usually include:

- a. The list of taxes covered by the agreement;
- b. The resident which pertains to “resident of a contracting State” who is anyone that is liable to tax in either country by “reason of domicile, residence, place of management or incorporation or any other criterion of a similar nature;”
- c. Permanent establishment which means the fixed place of business at which the business of an enterprise is wholly or partly carried out;
- d. Income earned from immovable property which may be taxed by the contracting States;

- e. Business profits of enterprises carrying on business within the territories of both contracting parties;
- f. Shipping and air transport;
- g. Associated enterprises;
- h. Dividends derived from a company which is resident in a contracting State;
- i. Interest received from a contracting State by a resident of the other contracting State which may be taxed in that other State;
- j. Royalties derived from a contracting State by a resident of that other Contracting State which may be taxed in that other State;
- k. Capital gains derived by a resident in a contracting State derived from the sale or alienation of moveable and immovable property, including shares in companies. (Usually, the capital gains are paid in accordance with the relevant laws in both States);
- l. Dependent personal services which relate to remuneration such as salaries, wages derived by residents in contracting States;
- m. The elimination of double taxation in both contracting States;
- n. Non-discrimination against nationals of the contracting States by both parties, especially specifications requiring that nationals of both countries are not subjected to taxes which are more burdensome than taxes which nationals of the States would be subjected to under the same circumstances;
- o. Mutual agreement procedures regarding the steps which a resident or national of either one of the contracting States may embark upon to resolve tax issues which may result in taxation for that individual which may be contrary to the provisions of the DTA. This article or section of the DTA usually allows the resident or national to present his/her case before a competent authority of the contracting State where he/she is resident or in the contracting State of which he is a national; such competent

authorities are expected to resolve the disagreements and communicate with each other to ensure mutual agreement;

- p. Exchange of information which may be necessary for carrying out the provisions of the agreement;
- q. The fiscal privileges of diplomatic and consular officials under the general rules of international law or under the provisions of special agreements;
- r. The entry into force of the agreement such that the governments of the contracting States are expected to notify each other when they have fulfilled the constitutional requirements for the entry into force of the DTA;
- s. The terms of termination of the agreements are also presented in the articles of the DTAs.

Avoidance of double taxation agreements were introduced into the Nigerian tax system during colonial rule. The various income tax ordinances always contained provisions enabling a named official of the government to make such regulations as were necessary to give effect to double taxation agreements entered into between Nigeria and other countries. These agreements were, at that time, concluded on behalf of Nigeria by Britain. Between 1950 and 1956, DTAs were signed between Nigeria and the following countries:

- a. Ghana (1950);
- b. Sierra Leone (1950);
- c. The Gambia (1950);
- d. New Zealand (1951);
- e. Sweden (1954);
- f. Denmark (1955); and
- g. Norway (1956).

All these agreements were repealed by the Federal Military Government on 25 April 1978.¹ By 1987, however, the Nigerian Government re-introduced international tax treaties with other countries. From 1987 to 2000 Nigeria signed comprehensive avoidance of double taxation agreements with eight countries. These were United Kingdom, Pakistan, Belgium, France, The Netherlands, Romania, Canada and South Africa.

United Kingdom

Nigeria and the United Kingdom signed a comprehensive DTA in London on 9 June 1987. The date of entry into force of the agreement was 1 January 1988, while the effective date was 1 January 1989.²

Pakistan

The DTA between Nigeria and Pakistan was signed on 10 October 1992. It is a comprehensive DTA whose date of entry into force was 7 March 1990. The effective date of the agreement was 1 January 1991.

Belgium

The Nigeria-Belgium agreement is a comprehensive DTA which was signed in Brussels on 20 November 1989. The date of entry into force of the agreement was 1 January 1990, while its effective date was 1 January 1991.

France

The Nigeria-France agreement is a comprehensive DTA which was signed on 27 February 1990 in France. The date of entry into force of the agreement was 2 May 1991, while its effective date was 1 January 1992.

The Netherlands

Nigeria and the Netherlands signed a comprehensive DTA at Lagos on 11 December 1991. The date of entry into force of the agreement was 9 December 1992, while its effective date was 1 January 1993.

Romania

The Nigeria-Romania agreement is a comprehensive DTA signed on 21 July 1992 in Abuja. The date of entry into force of the agreement was on 18 April 1993. Its effective date was 1 January 1994.

Canada

The DTA between Canada and Nigeria was signed in Abuja on 4 August 1992. Its date of entry into force was 16 November 1999. Its effective date was 1 January 2000. It is a comprehensive DTA.

South Africa

Nigeria and South Africa signed a comprehensive DTA in Capetown, South Africa on April 29, 2000. It entered into force on July 5, 2008 while its effective date was January 1, 2009. Tax treaty networks, have therefore, been an integral part of Nigerian tax practice even before the reforms. However, leveraging on the antecedents laid in this area, the reform era has expanded the scope of not just double taxation agreements, but other aspects of international taxation, notable among which is transfer pricing. The various double taxation agreements in which Nigeria is an interested party can be discussed under eight categories, namely:³

- a. Treaties in force;
- b. Concluded treaty negotiations;
- c. Treaties awaiting signature;
- d. Treaties concluded but needed to be negotiated;
- e. Concluded treaties which require further clarification on date for entry into force;
- f. Tax treaties for second round of negotiation;
- g. List of countries selected for new tax treaty negotiations;
- h. List of countries that have approached Nigeria for new tax treaty negotiations.

Treaties in Force

These double taxation agreements include the eight pre-reform DTAs examined above. In addition, two new additional DTAs have been signed and gone operational since 2005. The first is a comprehensive DTA signed with China on 15 April 2005 which came into force on 21 March 2009 with 1 January 2010 as the effective date. The second is a double taxation relating only to air and shipping signed with the Italian Government.

Concluded Tax Treaty Negotiations

Some countries have concluded DTA negotiations with Nigeria; however, the agreements are yet to be in force due to the non-fulfilment of the requisite legal requirements needed to bring the agreements into force such as ratification of the agreements by the national parliament. Such agreements involve Nigeria and the following countries:

- a. Spain;
- b. South Korea;
- c. Sweden; and
- d. Tunisia.

Treaties Awaiting Signature

Some DTAs have been concluded but are yet to be signed. Such agreements include those between Nigeria and:

- a. Mauritius;
- b. Algeria; and
- c. Denmark

Concluded Treaties Requiring Re-negotiation

Tax Treaties which come under this category include DTAs for which negotiations were successfully concluded for over five years but due to inaction on the part of the contracting countries, the DTAs and the terms therein have been overridden by the combination of subsequent events over the course of those years and the changes in the domestic laws of the countries involved. Such agreements include those which Nigeria has signed with Bulgaria and Turkey.

Concluded Treaties which Require Clarification on Date for Entry into Force

Nigeria has concluded DTA negotiations with some countries, signed and fulfilled the core domestic requirements needed to enact the agreements into law. However, the

implementation of the DTAs is being held back by disputes over the date for entry into force of the documents. Without passage into law, the documents are not valid, applicable or enforceable. This is the case with the Philippines, the Czech Republic and Slovakia. In the case of the Czech Republic and Slovakia, the uncertainty relates to the circumstances in which the two countries came into existence. Prior to its break-up, Czechoslovakia had a DTA with Nigeria which was signed on August 31, 1989 and entered into force on December 2, 1990. The two nations which emerged from the break up, the Czech Republic and Slovakia have not adopted the DTA.

Tax Treaties due for Second Round of Negotiations

Under this category, there are DTAs for which the first round of negotiations have been successfully concluded but these DTAs still require a second round or more of negotiations. The subsequent rounds of negotiations are necessary to clarify contentious and outstanding articles in the agreements. Nigeria is at this stage with:

- a. Syria;
- b. Iran;
- c. India;
- d. Ethiopia; and
- e. Russia

The DTA between Nigeria and Russia passed through two rounds of negotiations but it has not been finalized due to unresolved articles in the agreement.

List of New Countries Selected for New Tax Treaty Negotiations by Nigeria

The Tax Policy Department of the FIRS, after duly conducting a thorough research, has drawn up a list of nations which are in a good position to have mutually beneficial DTAs with Nigeria. The list has been forwarded to the Federal Ministry of Foreign Affairs, accompanied with a copy of Nigeria's DTA for onward transmission to the appropriate authorities of the respective countries. The countries are:

- a. Singapore;

- b. Qatar;
- c. Japan;
- d. The United Arab Emirates;
- e. Ghana;
- f. Sierra Leone;
- g. Kenya;
- h. Cameroon;
- i. The Gambia;
- j. Kuwait;
- k. Equatorial Guinea; and
- l. Malaysia.

Countries which have Approached Nigeria for New Tax Treaty Negotiations

Nigeria has been found to be a suitable DTA partner by some countries which, at this time, do not have DTAs with Nigeria. These countries have indicated their interest by submitting draft copies of their DTAs through the Nigerian Ministry of Foreign Affairs. The countries are:

- a. Liberia;
- b. Kuwait;
- c. The United Arab Emirates;
- d. India;
- e. Poland; and
- f. Egypt

TRANSFER PRICING

Transfer pricing is a term which encompasses the setting, analysis, documentation and adjustment of charges made between related parties for goods, services, or use of property,

including intangible property. It relates to the system of setting prices for the transfer of goods, services and intangibles between parties under the same entity or between related entities which operate in more than one tax jurisdiction. Transfer pricing is a major concern of multinational enterprises (MNEs) which operate in more than one country and by extension, more than one tax jurisdiction.

Tax legislations and regulations differ from one tax jurisdiction to another and there is the need for multinational business entities to comply with all these requirements. Compliance may lead to an increase in the tax burdens of the enterprises through double or multiple taxation. Multiple taxation leads to increased costs for companies which conduct businesses in Nigeria and also creates hurdles in the way of the transfer of goods and services across borders generally. Tax administrators the world over have the right and responsibility to impose taxes on these multinationals, but it has to be done fairly. This can be achieved when each tax administrator actively determines the income and expenses of the multinational enterprise attributable to its own jurisdiction. The individual branches of the multinationals are treated as individual parties.

FIRS and Transfer Pricing Issues

One of the major changes that came with the introduction of a function-based organisational structure was transfer pricing. Nigeria relies heavily on Multinational Enterprises for the provision of goods, technology, trademarks and other services. The presence of these Multinational Enterprises in the country over the years cuts across oil and gas, telecommunications, airlines etc and has greatly contributed to the economic development of the nation. However, their contribution to national development by way of tax has been inadequate compared to the income being derived by them. The larger part of the taxable income of these Multinational Enterprises is being shifted to their home countries tax free.

Given the importance to national revenue and in order to protect the tax base of the country without creating double taxation and/or uncertainties that could hamper foreign direct investment and cross border transactions, the Service has recognised the need for Nigeria to develop transfer pricing legislation/rules embodying the arms-length principles so as to achieve these dual objectives and to tackle international tax avoidance by Multinational Enterprises.

The efforts undertaken by the Service in addressing issues of transfer pricing have largely been under the auspices of the ATAF and OECD Working Groups on Transfer Pricing and Exchange of Information. Some of the steps taken so far are as follows:

- a. Between 29 November and 3 December 2010, a workshop on transfer pricing was held in Abuja, Nigeria under the auspices of the African Tax Administrators' Forum (ATAF) and the Organization for Economic Cooperation and Development (OECD);
- b. The Tax Policy Department of the Service has produced a draft manual on transfer pricing guidelines and the document is awaiting the approval of Management to become operational;
- c. The Modernisation Department is seeking to engage an advisor on transfer pricing who, will among other things, build capacity among staff of the Service to monitor activities or transactions among conglomerates.

Scope of the Transfer Pricing Manual/Guidelines of the FIRS

The Draft Transfer Pricing Manual of the Tax Policy Department of the FIRS has the following scope as spelt out in paragraph 1.5 of the manual:

- a. The guidelines are applicable on transactions between associated enterprises within a multinational where one enterprise is subjected to tax in Nigeria and the other enterprise is located overseas;
- b. The guidelines are applicable in relation to transactions between a permanent establishment and its head office or other related branches. For the purposes of the guidelines, the permanent establishment will be treated as a (hypothetical) distinct and separate enterprise from its head office or other related branches;
- c. The type of transactions subject to adjustments will include the sale or purchase of inventory; the sale, purchase or lease of tangible assets; the lending or borrowing of money and other transactions which affect the profit or loss of the enterprises involved;

- d. The guidelines are largely based on the governing standard for transfer pricing which is the “arm’s length principle” as set out under the Organisation of Economic Cooperation and Development (OECD) Transfer Pricing Guidelines.

The manual expects that the following steps will be carried out to ensure that transfer pricing processes become a core part of the Service in the future:

- a. The setting up of Transfer Pricing Units, including defining the roles of officers with legal, economics and accounting backgrounds expected to function in the unit. The relationship of the units to other FIRS functions such as audit will also be determined;
- b. The identification and use of relevant database, including issues involved in extrapolating non-local materials to draw conclusions relating to the local market;
- c. The role of exchange of information in transfer pricing investigations will be determined;
- d. The simplification of strategies for identifying arm’s length transactions and non-arm’s length transactions will be effected;
- e. Compliance strategies will be drawn out for transfer pricing, including strategies for ensuring that enterprises of different sizes comply duly;
- f. The provision of information to taxpayers to ensure compliance;
- g. The identification and discussion of the role of transfer pricing in certain pertinent issues such as contract and toll manufacturing, ascertainment of ownership and valuation of intangibles, corporate restructures in the context of the provision of services within group companies;
- h. The roles of other countries with respect to transfer pricing will be reviewed constantly and a dispute resolution mechanism instituted;
- i. There will also be the drafting of transfer pricing legislations, including aspects of the domestic legal framework such as the definition of “related parties”, and the

requirements as to information retention, provisions and penalties, recognizing the fact that such legislation must be suitable and adapted to Nigeria's local environment;

- j. The possible use of "safe harbours" to ensure the effective use of limited audit capabilities.

A safe harbour is a provision of a statute or a regulation that reduces or eliminates a party's liability under the law, on the condition that the party performed its actions in good faith or in compliance with defined standards. Legislators may include safe-harbour provisions to protect legitimate or excusable violations, or to incentivize the adoption of desirable practices. Safe harbours act to the advantage of tax administrators by encouraging taxpayers to report their taxable income. However, the OECD Transfer Pricing Guidelines expresses the concern that "safe harbours could penalize both foreign associated enterprises and their tax administrations, since less profits and taxable incomes would be reported in their respective jurisdictions."⁴

The Arm's Length Principle

With respect to transfer pricing, FIRS guidelines aims at requiring multinationals to transfer goods and services to their Nigerian branches by adhering to the arm's length principle which requires the branches of the multinationals to deal with one another in the way and manner which independent entities would do under similar circumstances.⁵ Verification of compliance with the arm's length principle requires that an "arm's length range" be derived. An arm's length range is a range of figures acceptable for establishing whether the conditions of a controlled transaction are at arm's length and that they are derived either from applying the same transfer pricing method to multiple comparable data or from applying different transfer pricing methods.⁶ Transactions which do not meet the requirements of the arm's length principle are said to be artificial or fictitious transactions.

Advanced Pricing Arrangement (APA)

An APA is an arrangement that determines in advance of controlled transactions, an appropriate set of criteria (for example, method, comparables and appropriate adjustments thereto, critical adjustments, as to future events) for the determination of the transfer pricing for those transactions over a fixed period of time. An advance pricing arrangement may be

unilateral involving one tax administration and a taxpayer or multilateral involving the agreement of two or more tax administrators.⁷

Going Forward

Going forward, the outstanding issues that have been identified in the area of finalizing certain double taxation agreements need to be concluded. The Tax Policy Department needs to engage the necessary authorities whose actions are required to conclude on these agreements to deliver on their obligations in order to expand the framework of countries with which Nigeria operates DTAs. This will in turn expand the opportunities attendant upon the operation of such agreements to the advantage of international business and trade, to the mutual benefit of the countries involved.

Further, efforts at providing transfer pricing regulations for the country which at the moment are inchoate need to be concretized in order to plug the leakages that are currently associated with the international dimension of Nigerian taxation. Specifically, the FIRS Board should ratify the draft manual on transfer pricing guidelines and also conclude on the selection of a transfer pricing advisor. The advisor will add value to the extant reform agenda by ensuring the following specific deliverables:⁸

- a. Industry-specific risk selection criteria and a suite of products for addressing industry risks;
- b. A paper advising FIRS on a workable structure for manning transfer pricing service and education function at the operational level;
- c. Transfer of knowledge to staff of Transfer Pricing Unit, with standard guideline in Large Taxpayers Offices first and other offices subsequently;
- d. Develop transfer pricing rules/regulations for companies that operate in Nigeria;
- e. Conduct transfer pricing audit on the companies that have transfer pricing related activities;
- f. Build capacity in developing the guideline for selecting cases for Transfer Pricing Unit adjustment;
- g. Build capacity around Taxpayer Service Unit in relation to transfer pricing adjustments;

- h. Performance Improvement Plan, PIP;
- i. Performance monitoring matrices;
- j. Work with other Advisors to develop the request for proposals for the ITAS selections;
- k. Training of counterparts to continue the process at the expiration of the consultant's services;
- l. Provide any advice and recommendations that would support the reform objectives;
- m. Documentation on developing a Transfer Pricing Plan;
- n. Product specifications for risk reviews of selected Multinational Enterprises for the transfer pricing research function;
- o. Specific strategies documented for the collection enforcement for Transfer Pricing tax;
- p. Develop guidelines for selecting cases for transfer pricing audit;
- q. Samples cases for review in the oil and gas industry, transportation, banking, telecommunications, manufacturing, brewery and services industry;
- r. Practical capacity building that will help bridge the capacity gap noted in putting the guidelines for selecting cases for transfer pricing adjustment;
- s. Review the draft transfer pricing rules being developed with a view to producing workable rules in Nigeria.

All the above deliverables are aimed at:

- a. Establishing a Transfer Pricing Unit with standard guidelines in Large Taxpayers Offices first and other offices later;
- b. Developing transfer pricing rules/regulations for companies that operate in Nigeria; and
- c. Conducting transfer pricing audit on the companies that have transfer pricing related activities.

The above strategies will provide both the framework and skills required to ensure taxable incomes of Multinational Enterprises is not shifted out tax free. It will also ensure that local

conglomerates do not take advantage of controlled transactions to deny government the revenue that is due to it.

OECD Global Forum on Exchange of Information

On 14 December 1960, 18 European countries, Canada and the United States signed the Convention to create the Organisation of Economic Cooperation and Development, OECD, as a vehicle to drive global development. The Convention came into force on 30 September 1961.⁹ The mission of the OECD which currently comprises of 34 member countries is to promote policies that will improve the economic and social well being of people around the world. In order to promote its work outside non OECD countries, the organisation has created a network of global partners under the oversight of the Global Relations Secretariat, GRS. The GRS develops and oversees strategic orientations between the OECD and non OECD members on a regional basis. The Sahel and West African Club creates and facilitates engagements between the OECD and West African countries. Actual implementation of OECD programmes and initiatives is done through its committees.¹⁰

The OECD-Africa engagement in the area of development of tax systems is driven by the Tax Development programme of the OECD's Committee on Fiscal Affairs, CFA, and the Development Assistance Committee, DAC in partnership with the African Tax Administrators Forum, ATAF.¹¹ Since the creation of ATAF in 2009, the OECD has facilitated 32 capacity building events for ATAF members on a wide range of issues include transfer pricing, tax treaties, tax administration and exchange of information. Nigeria's FIRS has not only benefitted from these events, it has hosted some of them. The Service partook in the "Workshop on Exchange of Information in Tax Matters" held in Gaborone, Botswana between 8 and 10 November 2010 as well as the workshop on "Organisation and Management of Tax Administration" which was held between 29 August and 2 September 2010 in Port Louis, Mauritius. The Mauritius event was co-facilitated by the International Monetary Fund, IMF. The Service also hosted a workshop on "Transfer Pricing Guidelines" in Abuja between 29 November and 3 December 2010. Details of the outcomes of these workshops have already been analysed in the preceding section on ATAF.

The latest OECD event hosted by the Federal Inland Revenue Service was the "Technical Event on Exchange of Information" held in Abuja between 31 October and 4 December 2011. The aims of the workshop were to:

- a. Share the experience of African countries, OECD and non OECD economies on the exchange of information between competent authorities;
- b. Identify ways of improving the efficiency of the processes entailed in exchanging information;
- c. Examine the legal basis for international exchange of information and illustrate, through case studies, the balance shown between the legal obligation to exchange and the limitations that safeguard taxpayers rights; and
- d. Provide practical advice on dealing with formal requests for information and the use of new technologies to share information.

The above objectives were explored through series of technical presentation, experience sharing, case studies and roundtable discussions. At the end of the workshop, the following challenges were identified as standing in the way of effective exchange of information among tax authorities:

- a. Lack of treaties as instruments for exchange of information in several African countries;
- b. Lack of communication as to who are designated Competent Authorities as only point of contact for requests for exchange of information between countries and/or regular updates on any changes;
- c. Inadequate legislation and regulatory framework to ensure availability of information for exchange purposes;
- d. Ineffective legislation to ensure access to information for exchange purposes;
- e. Lack of capacity and capability in some tax administrations to deal with requests for exchange of information;
- f. Limited participation by ATAF member countries in the Global Forum on Transparency and Exchange of Information for tax purposes.

The Exchange of Information, EOI, Working Group was mandated in the light of the above challenges to develop strategies and products for, and give direction to the work of the Exchange of Information Project with regard to:

- a. assisting ATAF members with developing their domestic legal and regulatory frameworks for transparency and exchange of information on tax matters;
- b. assisting ATAF members with developing legal mechanisms to allow for effective cross-border exchange of information; and
- c. enabling tax officials of member countries to build technical capacity to effectively exchange information with partner countries.

The deliverables expected from the EOI Working Group include:

- a. Design of a training programme for transparency and tax information exchange;
- b. Availability of information to Competent Authorities of each member country for EoI purposes;
- c. Access to obtain information for exchange purposes by Competent Authorities;
- d. Instruments for exchange of information (DTA's and TIEA's).

References

- 1 Ochei, B. B., *The Nigerian Taxman's Book II*. Lagos, Pyramid Unit Publishers (Educational), 2010.
- 2 The date of entry into force is reckoned by the lapse of thirty days after the last party to the agreement notifies the other party that all necessary procedures for legalizing the agreement and making it enforceable domestically have been completed. Technically, this date is usually deemed to be the first day of the fiscal year following the date of entry into force of the agreement. The effective date refers to the date citizens of both countries start benefiting from the provisions contained in the agreement. See respectively, Articles 28 (1) and (2) of the various DTAs.
- 3 Dike, M.A.C., "Status of Nigeria's Bilateral Agreements," page 1.
- 4 Organisation of Economic Cooperation and Development (OECD) *Transfer Pricing Guidelines*, Chapter IV, paragraph 4.109.
- 5 *Draft Transfer Pricing Guidelines/Manual* Issued by the Tax Policy Department of the Federal Inland Revenue Service Paragraph 1.7.2.
- 6 Organisation of Economic Cooperation and Development (OECD), *Transfer Pricing Guidelines*, page 17.
- 7 *Op.cit.*
- 8 Okoye, Chiaka, "TOR for Transfer Pricing Advisor."
- 9 Official website of the OECD. Accessed 15 November, 2011.
- 10 *Ibid.*
- 11 OECD Active with Africa. http://www.oecd.org/pages/0,3417,en_36335986_36336523_1_1_1_1_1,00.html. Accessed 15 November, 2011.

CHAPTER SEVENTEEN

STRATEGIC PERFORMANCE MANAGEMENT

Planning

Planning plays a strategic position in the attainment of the goals and objectives of any organization. Planning is the process of formulating, shaping and grooming organisational goals and objectives, and the matching of all requisite resources towards the realization of such goals and objectives. Planning involves identifying an organization's immediate and long-term objectives, and formulating and monitoring specific strategies to achieve them.¹ It is also about staffing and resource allocation, one of the most important responsibilities of a management team.

Prior to the reform era, organisational planning existed in the FIRS to the extent that goals were set and strategies designed to achieve those goals. What the reform era introduced, by way of improvement to the pre-reform period, was systematic benchmarking of organisational, departmental and individual performance against set targets, using key performance indicators. In addition, the reforms introduced the use of Management Information System (MIS) as a platform for sound decision making, anchored on facts and figures relating to the operations of the Service.

Planning, Research and Statistics Department

In the pre-reform era, a division of the Human Resource Management Department was responsible for planning, research and statistics. In June 2004, the PRS and ICT Units were merged to form Planning, Research and Information Technology Department with an expanded mandate covering information technology, planning, research and statistics, procurement and due process, bank collection services, collection accounting and coordination, monitoring and reconciliation. The organisational restructuring that took place

in the Service in 2007 led to the de-merger of planning, research and statistics functions from ICT functions leading to the creation of separate departments to drive both functional areas. Since its creation in 2007, the Planning, Research and Statistics Department has been the key driver of planning in the Service.

Corporate Strategic Planning in FIRS

The concept of corporate planning was first introduced in the Service in 2005 when the Management produced the 2005-2007 Medium-Term Corporate Plan.² The second Medium-Term Corporate Plan was developed in 2008 spanning the period 2008-2011.³ Both documents laid out where FIRS aspires to be and how it intends to get there. The Corporate Plan assesses the strength, weaknesses, opportunities and threats, identifies the key objectives which the Service should pursue, along with strategies for realizing them.⁴ Specifically, corporate planning was intended to help drive the Vision and Mission of the Service by:

- a. Providing a roadmap outlining the current status of the Service and where it aspires to be;
- b. Providing a framework for the FIRS Management on areas of focus in tax administration as well as key initiatives/strategies to embark upon;
- c. Providing a benchmark against which actual performance can be measured and reviewed;
- d. Outlining tasks, goals and objectives for all stakeholders within the Service.

The major goal of the 2005-2007 Medium Term Strategic Plan which covered the proposed programmes of the organisation for the same period was “to triple 2004 revenue collection by 2007.”⁵ One major strategy approved in that first plan was to install an improved bank collection system which will be complemented with a well focused audit and investigation activity in the oil and gas sector.

The second Medium Term Strategic Plan was developed in 2008 covering a four year period (2008-2011). The plan focused on revenue enhancement, voluntary compliance, adoption and implementation of the National Tax Policy, implementation of key modernisation

projects, building a strong and sustainable organisation among others and how this will be strategically implemented within the period.⁶

The operational/departmental plans, which are prepared as “down-liners” detail how the overall corporate goals and objectives will be implemented through departmental and group activities. Operational plans are usually narrower in scope, indicating what the top Management expects the departments and functions in the Service to do, in order to support the overall plan of the Service. These operational plans are linked to the Corporate Strategic Plan of the organisation, except that they become more specific as they move down the line. It has now become a culture of FIRS to prepare corporate annual plans, supported with comprehensive departmental or operational plans which clearly articulate how the organisation intends to pursue its programmes within the year. The plan also lays out the budget for the year. These are short-term plans which are expected to be consistent with the longer-term strategy, taking account of immediate developments and changes.

The annual planning process has been institutionalized in the Service, particularly with the recognition of Key Performance Indicators (KPIs) as the measurement platform on which the Service can evaluate progress being made towards the realization of the agreed corporate goals. With the introduction of annual corporate strategic planning, the new FIRS is able to:

- a. Define its business or mandate and set a clear direction for achieving its goals;⁷
- b. Situate itself within the concept of the environment in which it operates in order to remain proactive, focused and result oriented;
- c. Carry out a critical self assessment including identification of its strengths, weaknesses, opportunities and threats;
- d. Set/evaluate its vision and mission;
- e. Identify the key objectives which the Service should pursue, along with strategies for realizing them;
- f. Establish its goals and set performance targets;

- g. Set up strategies for realizing its targets;
- h. Set up key indicators by which the performance of the Service would be measured;
- i. Define a systematic approach to achieving the corporate Vision and Mission of FIRS. It provides facts for strategic decisions making and monitoring progress towards the Vision of the Service.

Procedures and Processes in Preparing FIRS Corporate Plans

In preparing FIRS Corporate Plans, the PRS department facilitates appropriate fora where inputs into the plan are generated. These fora include:⁸

- a. Senior Management interactive session;
- b. Groups' retreats where group operational plans, strategies and Key Performance Indicators (KPIs) are developed;
- c. A corporate retreat where corporate strategies and operational group/departmental operational plans are finalized;
- d. Outputs from the corporate retreats are keyed into the FIRS Corporate Strategic Plan and submitted for Management and Board approval;
- e. PRS domiciles approved corporate plan for monitoring.

Departmental and Individual Planning

Departments/functions in the Service are further required to develop departmental work plans and schedule of responsibilities as well as key performance indicators for staff of their departments. The departmental work plans and schedule of responsibilities show what specific tasks and activities departments, functions or individuals are to undertake; who is responsible for carrying out the task; at what specific time/period it will be undertaken and how progress/achievement will be monitored and evaluated using measurable KPIs.⁹

Key Performance Indicators (KPI)

The term Key Performance Indicators (KPIs) is a performance measurement tool which stem from the concept of strategic planning. It is used to evaluate performance against set target by providing benchmarks by which performance should be evaluated within periodic time frames. This system of performance measurement has come to stay and is generally accepted in FIRS as a way of evaluating the inputs of the workforce to the attainment of the vision and mission of the Service. The evaluation is done quarterly to monitor work schedules of staff. Key Performance Indicators are usually set for the Executive Chairman as the chief accounting officer and from there, they cascade through the top level to the individual level. Every KPI must satisfy the SMART acronym as follows:¹⁰

S- Specific

M- Measurable

A- Achievable

R- Rewardable/Realistic

T- Timely

Key Performance Indicators are set at the corporate, departmental/unit and individual levels. At the corporate level, the procedure involves the following steps:¹¹

- a. SWOT Analysis (Strengths, Weaknesses, Opportunities and Threats);
- b. Establish Mandate, Vision, Mission, Core Values;
- c. Identify corporate objectives, goals and strategies;
- d. Determine key deliverables or the key result areas;
- e. Specify measures of attainment or Key Performance Indicators.

Unit level KPIs are defined as Group/Departmental or unit depending on corporate structure. The procedure is as follows:¹²

- a. Derive KPIs from the corporate KPIs of the Chief Executive Officer;
- b. Define KPIs in terms of quantities, quality and timelines;
- c. Define roles and responsibilities of each unit in relation to the corporate objectives/goals/strategies/deliverables;
- d. Determine key result areas;
- e. Set Key Performance Indicators.

Finally, individual level KPIs are derived from the unit or sub-unit KPIs. Individual KPIs have the following features:¹³

- a. Each individual in the unit/sub-unit is assigned based on mutual discussion and agreement between him and his supervising officer;
- b. The individual takes full responsibility for attainment of the targets set for him;
- c. Quarterly performance appraisal of the individual is based on the KPIs agreed upon between him and his supervising officer;
- d. The outcome of quarterly appraisal is either reward or remediation. Reward is for good performance while remediation is for officers who need help to improve on their performance.

In developing KPIs at all levels, attention is paid to key result areas; key success factors that will propel achievement of the KPIs; critical dependencies (e.g. relevant departments) and timelines for achievement of KPIs. Finally, it is the corporate level KPIs that cascade down to individual level KPIs.¹⁴

Monitoring and Evaluation

Monitoring and Evaluation, M&E, refer to the strategies put in place to ensure that set targets are performed in accordance with timelines, quality and budget. A key M&E tool in

FIRS is the Performance Management System, PMS. The purpose of the PMS is to ensure that:¹⁵

- a. The work performed by employees accomplishes the work of the Service;
- b. Employees have clear understanding of the quality and quantity of work expected of them;
- c. Employees receive ongoing information about how effectively they are performing relative to expectations;
- d. Awards and salary increases based on employee performance are distributed according to performance;
- e. Opportunities for employee development are identified; and
- f. Employee performance that does not meet expectations is addressed.

The FIRS Performance Management System consists of:

- a. Target setting: A process for communicating employee performance expectations;
- b. Quarterly Reviews: A process of maintaining ongoing performance dialogue;
- c. Performance Appraisals: Periodic evaluation of performance against set targets which is done quarterly and annually;
- d. Remediation: A procedure for addressing employee performance that falls below expectations. This is carried out through coaching, mentoring or stretch assignments;
- e. Individual Development Plan: A procedure for encouraging and facilitating employee development through capacity building, reward, motivation and career advancement;
- f. Managerial Skills Development: Training programmes for managerial officers in managing performance for effective system administration;
- g. A procedure for resolving performance (merit) pay disputes.

Performance Bonus

Monetary incentives in the form of one month extra salary is paid to individuals/departments that attain a pass mark upon evaluation at the end of every quarter. To attain a pass mark, an individual must score at least 65 percent performance of set targets within the quarter

under review and the department as a whole must score at least 60 percent overall performance against set targets. When this measure was first introduced, eligibility for bonus was 50 percent for the department and 60 percent for individual staff. The upward review in the threshold for eligibility was done in 2010 to raise performance levels. A Group Coordinating Director (CD) qualifies for a bonus if three departments within the Group qualify for a bonus within the period under review.

Management Information System

The reforms in FIRS also brought on board the use of Management Information System (MIS) as a tool for processing data emanating from the activities of the Service into information which is then used for planning and decision making.¹⁶ MIS makes it possible for reports on daily meetings with third parties, desk-level performance functions, extraordinary events, monthly reports and exceptional reports to become available to Management. The information, to be useful, must be timely, consistent, accurate, complete and relevant.¹⁷ Since its introduction as a planning tool, MIS has provided a framework for:¹⁸

- a. Supplying Management with supporting facts to enhance the overall decision making process;
- b. Provision of data and information to help Management make strategic decisions;
- c. Provision of the means through which the activities of the Service are measured and monitored;
- d. Enhancement of job performance throughout the Service;
- e. Definition of the framework of guidelines in planning;
- f. Clear statement of policies and practices;
- g. Standardization of procedures;
- h. Provision of an objective system for recording and aggregating information;
- i. Support of institutional longer term strategic goals and objectives.

Benefits of Planning to FIRS

The introduction of systematic planning tools and models has impacted greatly on the overall performance of the Service. Some of the manifest benefits to the Service include:

- a. Reduction in uncertainties regarding tasks/roles;
- b. Clarification of work direction and priorities;
- c. Efficient use and allocation of resources;
- d. Measurement of progress against agreed targets;
- e. Quantum increase in revenue collection from N1.19 trillion in 2004 to N2.83 trillion in 2010;
- f. Improvement in taxpayer services and education;
- g. Increment in the level of enforcement activities;
- h. Improved work environment and professionalization of the Service;
- i. Improvement in payment processes;
- j. Development of the National Tax Policy;
- k. Increased automation of processes and modernisation of the Service;
- l. Activation of tax refund operation;
- m. Recruitment of new staff and the functional placements of both new and old staff;
- n. Approval by FEC to acquire an Integrated Tax Administration System (ITAS).¹⁹

Notwithstanding the tremendous progress made in planning processes and the impressive attendant outcomes, a number of challenges still need to be addressed for the Service to attain hitch-free planning processes, procedures and outcomes. Some of the challenges include:²⁰

- a. Poor understanding and appreciation of the importance of planning among some staff;
- b. Delay in sign-off of key performance indicators;

- c. Improper alignment, cooperation and collaboration among groups/departments to work together and implement plans;
- d. Changes in the external environments such as oil price fluctuations, government policies, changing economic conditions and political uncertainties that impinge on plan execution;
- e. Insufficient internal and external data to support planning decisions and poor feedback system.

The Planning, Research and Statistics Department as the key driver of all plans of the Service have identified a number of strategies to address the above challenges and securing seamless articulation of multi-level planning. The strategies include:²¹

- a. Extensive enlightenment of staff on the plan process and importance of planning in FIRS;
- b. Prompt/early approval or sign-off of goals/objectives and key performance indicators;
- c. Enhanced collaboration and cooperation between groups and departments in the Service which would ensure organisation-wide alignment to plans and strategies;
- d. Strict adherence to the planning time table or schedule;
- e. Increased level of communication and shared understanding of the priorities of the Service and of what needs to be done to realize these priorities. It is equally vital that the priorities and top-level goals/objectives in the strategic plan are effectively cascaded down throughout the organization;
- f. Development of database and data management to provide needed data/statistics on a timely basis for the PRS Department;
- g. Prompt submission of reports and work plans by departments in the Service;
- h. Complete and appropriate reporting.

A plan is a roadmap that articulates not just the destination, but how to arrive at that destination. It identifies the potholes and how to avoid them. Through the use of multi-level planning that is driven by key performance indicators and management information

systems, the Federal Inland Revenue Service has put this roadmap to judicious use with impressive results. While extant dynamics will always shape outcomes, the Service aspires to be at that point where its organs and processes will be able to respond to both internal and external variables without derailing from organisational goals.

Meetings and Retreats

There were basically three types of meetings that existed in the Service before the reforms started in 2004. These were Board Meetings, Management Meetings, and Town Hall Meetings with taxpayers.

Board Meetings

The Federal Board of Inland Revenue, FBIR, was established by the Companies Income Tax Act 1979 which repealed and replaced the 1961 Act. The administration of the Act and indeed, all federal taxes, was vested in the Board which consisted of the following people:

- a. A chairman appointed by the President from within the Service;
- b. All directors and heads of departments of the Service;
- c. The director responsible for planning, research and statistics in the Federal Ministry of Finance;
- d. Representative of the Nigerian National Petroleum Corporation, not below the rank of Executive Director;
- e. A member of the National Revenue Mobilisation Allocation and Fiscal Commission;
- f. A director from the National Planning Commission;
- g. A director from the Nigeria Customs Service;
- h. The Registrar General of the Corporate Affairs Commission; and
- i. The legal adviser to the Service.

The Board was not required to meet at specified periods, rather, the secretary to the Board was required to summon a meeting “whenever the business requiring its attention so warrants, or upon any request of a member.”²² The Act further empowered the Board to conduct

virtual meetings. This is obvious from the wordings of section 1 (6) which provided inter alia that a majority decision of the members of the Board on any matter obtained by the secretary in written correspondence was to be treated in all respects as though it were a decision of the Board in actual meeting unless a member requested the submission of the decision in question to an actual meeting. Any seven members of the Board could form a quorum provided one of them was either the chairman or a director of a department within the Service.²³

Management Meetings

The Management of the Service consisted of the chairman, directors and heads of departments within the Service. While the administration of federal taxes was vested in the FBIR, the operational management of the day to day activities was vested in the FIRS which was the operational arm of the FBIR.²⁴ In essence, therefore, management meetings at the time were held to consider only operational matters.

Town Hall Meetings

Town hall meetings were held between the Management of the Service (in furtherance of its operational mandate) and taxpayers as part of taxpayer education and enlightenment campaign.

Post Reforms Meetings and Retreats

Since 2004, at least five different categories of meetings are held at regular intervals. These are:²⁵

- a. Board Meeting;
- b. Management Meeting;
- c. Enlarged Management Meeting (EMM);
- d. Regional Enlarged Management Meeting (REMM);
- e. Operational Management Meeting (OMM).

Board Meetings

The difference between FIRS Board Meetings and FBIR Meetings is manifested at different levels. First, because of its subordinate status within the Federal Civil Service structure, the FBIR had no policy setting powers; its role was tax administration which included assessment, collection and accounting for all federal taxes. The FIRS Board, however, is established by the FIRS Establishment Act 2007 specifically to:

- a. Provide general policy guidelines relating to the functions of the Service;
- b. Manage and superintend the policies of the Service on matters relating to the administration of the revenue assessment, collection and accounting system under the Act or any enactment or law;
- c. Review and approve the strategic plans of the Service;
- d. Employ and determine the terms and conditions of service including disciplinary measures of the employees of the Service;
- e. Stipulate remuneration, allowances, benefits and pensions of staff and employees in consultation with the National Salaries, Income and Wages Commission; and
- f. Do such other things which in its opinion are necessary to ensure the efficient performance of the functions of the Service under the Act.

Second, the constitution of the FIRS Board is different from the defunct FBIR. The FIRS Board comprises of:

- a. The Executive Chairman of the FIRS who is also the chairman of the board;
- b. Six members representing each of the six geo-political zones;
- c. A representative of the Attorney-General of the Federation;
- d. The Governor of the Central Bank of Nigeria or his representative;
- e. A representative of the Honourable Minister of Finance;

- f. The Chairman of the Revenue Mobilization Allocation and Fiscal Commission or his representative who must be one of the commissioners representing the 36 States of the Federation;
- g. The Group Managing Director of the Nigerian National Petroleum Corporation or his representative not below the rank of Group Executive Director
- h. The Comptroller-General of the Nigerian Customs Service or his representative not below the rank of Deputy Comptroller General;
- i. The Registrar-General of the Corporate Affairs Commission or his representative not below the rank of Director; and
- j. The Chief Executive Officer of the National Planning Commission or his representative not below the rank of Director.

Third, all members of the FIRS Board, apart from the chairman are part time members. There was no such provision under the FBIR arrangement. Finally, unlike under the Companies Income Tax Act, the FIRS Establishment Act provides comprehensive procedures for FIRS Board meetings. The proceedings of the Board are contained in the Second Schedule to the Act. The schedule provides that:

- a. The Board shall have the power to regulate its proceedings and make standing orders with respect to the holding of its meetings as well as those of its committees, notices to be given, keeping of minutes, custody of minutes and such other matters as the Board may from time to time determine;
- b. The Board shall meet at least four times a year²⁶ provided that the chairman may convene a meeting when the need arises or when so required by at least four members of the Board. In the latter case, the chairman must convene the meeting within 14 days of being so requested;
- c. The chairman shall preside at all meetings but where he is unable to attend, the Board members shall elect one of them to preside;

- d. A quorum shall be formed by a presiding officer and four other members; provided two of the members must be outside the Service;
- e. The Board shall meet on such days and places as the chairman may appoint;
- f. Board decisions shall be as much as practicable be taken by consensus but where this is not possible, by a majority of votes of the members present and voting;
- g. The chairman shall, in the case of a tie in votes, have a casting vote in addition to his deliberative vote;
- h. The Board may, where appropriate, invite a person to attend any of its proceedings for the purpose of advising the Board on any question deemed relevant by the Board provided such a person shall not be entitled to vote.

The present FIRS Board which is the first since the commencement of the Act on 16 April 2007 was inaugurated on 3 July, 2008 in the council chambers of the State House, Abuja.²⁷

Management Meetings

The FIRS Management Meeting is, for all intent and purposes, a successor to the FBIR Meeting. This is because in law and practice, the FIRS is a successor to the FBIR. The Management meeting is held in the board room of the Revenue House Abuja every Tuesday of the week and is attended by the Executive Chairman of the Service, all Coordinating Directors, the Special Adviser to the Executive Chairman, all Directors and Heads of Departments and officers from the Management Secretariat. Issues discussed at Management meetings include:

- a. Management Policies;
- b. Guidelines and circulars;
- c. Staff disciplinary issues;
- d. Staff matters/welfare.

Enlarged Management Meetings (EMM)

This category of meeting was introduced in 2004. It is attended by officers from the rank of Assistant Directors and above as well as Senior Managers from field offices. The meeting is held once a year, usually the first week in the month of February in Abuja. Issues discussed at the EMM include:

- a. Review of the Service's performance in the out gone year;
- b. Presentations on Group performance by Coordinating Directors and technical paper presentations by resource persons;
- c. An action plan for the current year including strategies to improve on the previous year's performance, identification of challenges and strategies to address them.

Regional Enlarged Management Meetings (REMM)

The Regional Enlarged Management Meeting, which was introduced in 2007, is held across the eight FIRS Regions as follow up on the Enlarged Management Meeting. The eight FIRS Regions include North East, North West, North Central, South East, South West, South-South, Lagos Mainland and Lagos Island Regions. Each region hosts it once in a year. The meeting is attended by:

- a. All members of the FIRS Management (The ECFIRS, CDs, SA/ECFIRS, Directors and Heads of Departments);
- b. Regional Controllers and Tax Controllers within the Region;
- c. Management Secretariat;
- d. Tax Operations Group Secretariat;
- e. Selected staff of the Corporate Communications Department; and
- f. All FIRS staff within the Region.

Regional Enlarged Management Meetings are packaged to guarantee three-in-one meetings. The REMM itself features statistical presentations of performance as well as technical papers on ways of improving collections. The other two meetings which are packaged alongside the REMM are Town Hall Meetings and Stakeholders' Meetings. The Town Hall

Meeting is between the Management and staff of the Service within that region. It provides a platform for one-on-one interaction between the Management and staff of the Service within the region. The stakeholders' forum is attended by the top management echelon (consisting of the Executive Chairman, Coordinating Directors and the Special Adviser to the Executive Chairman) all staffs of the Service from the rank of Assistant Manager and above within the region, all taxpayers and all tax consultants within the region.²⁸ It provides a platform for interaction between the Service and its internal and external stakeholders as part of the overall process of taxpayer education and confidence building.

Operational Management Meetings (OMM)

The Operational Management Meeting is held once every quarter (four times a year). It is attended by the ECFIRS, Members of the Management, Heads of Departments, Regional Coordinators, Tax Controllers of the five Large Tax Offices and officers from the Management Secretariat Unit. The meeting venue may be in Abuja or in one of the six geo-political zones. Issues discussed at OMM include report on revenue collection by the Tax Revenue Accounting Department, analysis of performance of the Service by the Planning Reporting and Statistics Department and Group presentations by Coordinating Directors of the various groups.

In addition to the above categories of meetings, the FIRS Management introduced the practice of holding annual retreats at Management and Group levels. The Management Retreat was first held at the Obudu Ranch Resorts in June 2009. The retreat featured technical sessions, interactive sessions, spouses' session, and medical check for staff in attendance, sightseeing, gala night and cultural night. In 2010, the Management Retreat which held at the NICON Luxury Hotel Abuja was expanded to include FIRS Board members and the meeting was restyled "Management and Board Retreat." In addition to the Management Retreat, each of the five Groups is required to hold a group retreat, usually at the end of every year to take stock of group performance and harmonize departmental plans towards the setting of group operational plans. These are the processes that eventually dovetail into corporate plans.

It is not only the nature and composition of meetings that have changed as a result of the reforms in the Service. The organs responsible for arranging and driving these meetings have also been restructured to ensure efficiency and effectiveness. The restructuring occurred

in 2008 when the Management Secretariat was created as a unit in the Office of the Executive Chairman. Until then, the Board Secretary was responsible for proceedings and minutes of both the Board and Management. The creation of the Management Secretariat Unit led to delineation of functions between the Board Secretariat and the Management Secretariat. Currently, therefore, the Board Secretariat, which is headed by the Secretary to the FIRS Board is responsible for all Board meetings including arrangement for logistics and facilities. The secretariat is also the custodian of all board minutes and decisions. The Management Secretariat plays a similar role in respect of all other meetings of the Service. Overall, these changes have ensured better administration and management of meetings, including preservation of minutes and decisions of the various organs of the Service.

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CHAPTER EIGHTEEN

FINANCIAL PERFORMANCE

Revenue Collection: Performance and Trend Analysis

The core 2004 reform objectives are aimed at simplifying the returns and payments processes, embracing the concept of real self-assessment tax regime and encouraging voluntary compliance. Ultimately, the reform process aims at improving revenue collection at minimal cost to both the taxpayer and the Service. The Modernisation Plan upon which the business transformation process was anchored outlined specific collection targets to be achieved in the medium term and also identified seven strategic flanks as key drivers of the process. In relation to revenue collection performance, these targets were four and included:

- a. To triple 2004 collection levels by 2007;
- b. Achieve 100% collection of targeted FIRS revenue annually;
- c. Update and reduce total tax arrears by 60%;
- d. Update and reconcile position of MDAs Arrears.

Revenue Collection Performance Pattern

The pattern of revenue collection performance is presented in four tables; Tables 18.1, 18.2, 18.3 and 18.4 (See appendix). The analysis covers the period building up to the commencement of reforms and the period since the commencement of reforms. The tables are followed by graphs/figures illustrating and accentuating the performance trend within the period. Table 18.1 shows targeted and actual collection figures between 1996 and 2000; Table 18.2 shows targeted and actual collection figures from 2001 to 2004; Table 18.3

shows targeted and actual collection figures from 2005 to 2007 while Table 18.4 shows actual collection figures between 2008 and 2010.

Trends Analysis

- a. The target and actual collections for the non-oil taxes have been continuously on the increase;
- b. The targets and actual collection for oil taxes have not been steady. The reason is informed by the unstable nature of world market crude oil prices. The factors that influence global oil prices are beyond the control of the Nigerian Government or any of its agencies;
- c. The 2004 collections of non-oil taxes more than doubled but did not triple as initially conceived. But they are higher than the amended 25% increase on yearly basis;
- d. The target and collection for non-oil started to compete favourably with oil taxes such that in 2009, collection of non-oil taxes was higher than collection of oil taxes;
- e. The gains and benefits of the reforms manifested instantly such that the actual collection figure in 2004 was more than the actual collection figures for the two previous years combined;
- f. Just four years into the reforms, the actual collection of 2.972 trillion naira in 2008 alone was over and above the cumulative collection for the eight year period from 1996-2003 which amounted to only 2.682 trillion naira.

Impressive as the overall performance of the Service in the area of collection has been since the advent of reforms, the tables, charts and graphs also disclose that targets have not always been met. These shortfalls have been witnessed in the areas of petroleum profits tax (2006); non oil targets (2004, 2005 and 2009) as well as tax arrears. These setbacks have been as a result of challenges that may be classified at three levels namely, internal, external and political. The challenges include:¹

- a. Until the general recruitment exercise that took place in 2010, the staffing profile of the Service was inadequate in terms of numerical strength and technical capacity;

- b. The tax refund mechanism is not yet as efficient as envisaged under the Federal Inland Revenue Service (Establishment) Act. As a consequence, taxpayer confidence in the system is still low. This has implication on voluntary compliance;
- c. Challenges relating to capitalization and liquidity in the banking industry;
- d. Fluctuations in oil prices at the international oil market;
- e. Poor infrastructure such as epileptic power supply and poor transportation network accounting for disincentive to invest in business as well as exodus of manufacturing companies to other jurisdiction;
- f. Global economic meltdown;
- g. Pipeline vandalization, oil theft and other social vices in the country including kidnapping and militancy;
- h. Indiscriminate tax holidays, waivers and concessions;
- i. Uncertainties in the petroleum industry arising from the delay in the passage of the petroleum industry bill.

In addition, the movement from manual to e-payment system (bank collection automation) has turned up new set of challenges. These problems are posed by collecting banks, the Central Bank of Nigeria, and general systemic challenges. They include:²

- a. Delayed/non remittance of taxes;
- b. Tax refund caused by multiple postings or error of transportation;
- c. Wrong posting to tax type;
- d. Wrong posting caused by Taxpayer Identification Number;
- e. Wrong posting to tax office.
- f. The problem of FIRS being a third user in the RTGS as a result of inability to have real time on line connection directly with CBN. The introduction of RTGS was to make for quicker remittance of funds by the collecting banks to the designated FIRS accounts at CBN. However, because FIRS was brought in as a third user of the system, its payment system is not of relevance to CBN. This would have helped

in the correction of errors by the CBN if banks attempt to remit an amount different from that on Pay-Direct report.

- g. Posting of transactions into wrong accounts/tax types (wrong postings and wrong classifications). FIRS is still encountering situations where CBN posts say a Federation Account remittance to VAT account despite clear instructions by the banks as shown on the Third Party Funds Transfer document generated by the banks to CBN.
- h. Delay in crediting remittances made by lead banks into the appropriate FIRS accounts. In this case a lead bank would, for no reason, refuse to post to FIRS account until the error is discovered by the Tax Revenue Accounting Department of the Service during its daily reconciliation exercise.
- i. Delay in correction of identified errors pointed out to CBN. Even where errors have been identified by FIRS and collecting/lead banks have responded with the necessary documents and same provided to CBN the correction of these errors takes unduly long time for the CBN to effect.
- j. Poor narration of items/transactions captured in the CBN statement. In many, if not most of the narrations in the CBN statements to FIRS accounts, no mention is made of the bank making the payment. This makes it impossible to match the payment as to date and bank especially where the amounts are the same. This happened many times when all the banks were remitting directly to CBN. Then a remittance of a particular day, say N19,900,00, made to Consolidated Account but remitted at different dates cannot be pinned down to any of them until clarification is sought from CBN. The information is vital for penalty/interest charges.
- k. Disparity/inconvenience between FIRS web-portal and Pay-Direct reports.
- l. Credibility of the system needs to be assured. Electronic audit could assist in this regard.
- m. Installation of proper safeguards/security of the system against external aggression such as hackers.
- n. Problems relating to drivers of the system such as the elimination of lead banks in the RTGS payment system have implication on the entire system.

- o. The e-payment regime operates on instructions or mandates which are given to CBN by MDAs to credit specified bank accounts. Sometimes amounts meant for FIRS are credited without the details of the payments such as tax type, name of taxpayers etc to enable banks post such payments to FIRS accounts.
- p. Delay in posting of tax payments by banks who in conjunction with the MDAs trade with the funds first.
- q. Outright conversion/diversion of cheques by banks in conjunction with the MDAs and even tax officials.
- r. Non availability of Taxpayer Identification Number for some taxpayers.
- s. System fluctuation/failure.
- t. Poor refunds mechanism/ system.
- u. Circumvention of procedures by banks and other operators through the use of multiple transit accounts to warehouse tax collection.
- v. Abuse of same day reversal of entry by banks.
- w. Inability, at present, to directly review the domiciliary accounts with CBN for proper accountability and reconciliation.

In order to overcome the challenges enumerated above and deepen the gains made so far, the outstanding areas in the FIRS Modernisation Plan must not only be fully implemented, other challenges arising from the implementation of the strategic flanks must be addressed as they arise. Some of the strategies for addressing the challenges include the following proposals:³

- a. An instrument to compel MDAs to send a copy of the instruction to CBN to the bank that was credited with the payments so that the bank can speedily post to FIRS Pay-Direct;
- b. Adequate training and re-training of staff;
- c. Increase taxpayer education and sensitization;
- d. Improve ICT infrastructure to curb system failure/fluctuation;
- e. Data formatting installation;

- f. Adequate provision of security of the payment system against payment hackers;
- g. Data protection against intrusion;
- h. Harmonization of the Web-portal and Pay-Direct report in order to eliminate discrepancies;
- i. Ensure all personnel involved in the operation of e-payment as it affects tax payment and remittances have adequate understanding of the processes;
- j. Severe sanction (complete delisting) of any erring bank. This may include prosecution for any criminal act perpetrated by it;
- k. Wholesale generation of TIN numbers for all government agencies and other taxpayers not having any to enhance free flow of tax payments;
- l. Adequate funding of the FIRS refunds Account.⁴

Funding

Funding refers to the allocation of money or resources to and within an organisation for the effective and efficient achievement of desired goals and objectives. Therefore, funding is a fundamental requirement for any organization, irrespective of the sphere of business in which it operates. Sufficient funding is necessary for tax administration and collection to be effectively and efficiently carried out in Nigeria.

Prior to the current reforms, operations of the FIRS were funded by the annual statutory budgetary appropriations made by the Federal Government.⁵ Funds obtained through allocations from the Federal Government were channelled into the settlement of the capital and recurrent expenditure of the Service. In the face of competing expenditure heads, the budgetary allocations to the Service were neither sufficient to fund the needed reforms nor sustain a professional, modern tax administration in the long term. For the reforms objectives to be actualized there was a need to revisit the existing funding system of the tax authority. The new Management of the Service made a case for a “cost-of-collection” funding mechanism for the Service before the Federal Government. This was in line with global best practices. The Federal Government bought into the idea and in August 2005, 4 per cent of the total non-oil and gas revenue collected by the Service was approved and

implemented as cost of collection to be used in funding the operations of the Service.⁶ The sums so allocated as a consequence of this arrangement were also directed at meeting the capital and recurrent expenditure of the Service.

FIRS Funding Since 2005

The implementation of the 4 percent cost of collection in 2005 raised the revenue profile of the Service to unprecedented levels and provided the much needed finances to fund the modernisation strategies required to transform the Service into a 21st century tax collection agency. In addition to the new funding mechanism, the Service accessed support from international development partners such as the World Bank, the United Nations Development Programmes and the Department for International Development. The Tables 18.6, 18.7 and 18.8 in the appendix illustrate the funding trends for the Service, reflecting the periods before and after the reforms commenced.

Beginning from 2005 too, the Service was also a recipient of grants received from multilateral organizations and various international bodies which were aimed at fostering the improvement of Nigeria's tax regime. Funds so obtained were given to the Service by bodies such as:

- a. The World Bank: The funds provided by the Bank were used for financing the Economic Reform and Governance Project (ERGP). The ERGP is a World Bank initiative which was approved by its board and its core focus is the provision of support to various Federal Government agencies in the aspect of capacity building, economic management and governance with a view towards improving the effectiveness and efficiency of these agencies.⁷
- b. The Department for International Development (DFID): The DFID, in conjunction with the World Bank provided funds for the Service's Human Resource Reform Implementation Project.⁸
- c. The United Nations Development Programme (UNDP): The UNDP provided funds for the implementation of aspects of the FIRS reforms including projects such as the development of the taxpayer database, procurement and logistics, as well as record management. The funds obtained from the UNDP were also used for financing the audit of VAT on imports.⁹

Table 6 shows that the Service received foreign financing amounting to N1.04 billion in 2005, N723.3 million in 2006 from the World Bank, the Department for International Development and the UNDP.

In spite of the improvements in funding levels arising from the cost of collection mechanism, as well as grants from the donor organisations, the Service still had to borrow from the Staff Welfare Incentive Fund to carry out its activities. Such shortcomings in funding were inhibitions to long and short term planning.

Funding Arrangements under the Federal Inland Revenue Service (Establishment) Act 2007

The current funding system of the FIRS is statutorily embedded in section 15 of the Federal Inland Revenue Service (Establishment) Act. Section 15 of the Act specifies that the Service shall establish and maintain a fund which shall constitute of and to which shall be credited:

- a. A percentage as determined by the National Assembly of all non-oil and gas revenue collected by the Service which may be appropriated by the National Assembly for the capital and recurrent expenditures of the Service;
- b. All sums of money accruing to the Service by way of grants-in-aid and gifts, testamentary dispositions, endowments and contributions from any source;
- c. Such monies as may from time to time be granted to the Service by the Federal, State or Local Governments or other donor agencies, provided such grants are not intended for purposes contrary to the objects and functions of the Service;
- d. All other monies which may, from time to time, accrue to the Service for other Services including the disposal, lease or hire of, or other dealing with, any property vested in or acquired by the Service.

Section 16 of the Act further specifies that the following cost items may be offset from the fund established by virtue of section 15:

- a. The emoluments and allowances of the Executive Chairman and the members of the Board;

- b. Reimbursements to members of the Board or any committee duly set up by the Board;
- c. Remuneration and other cost of employment of the staff of the Service;
- d. Sums payable as pensions and other retirements under or pursuant to the Act or any other enactment;
- e. Costs of acquisition and upkeep of premises owned by the Service and any other capital expenditure of the Service;
- f. Investments, maintenance of utilities, staff promotion, training, research and related activities;
- g. Costs necessary for the day-to-day operations of the Service;
- h. All sums of money accruing to the Service by way of grants-in-aid, gifts, testamentary dispositions, endowments and contributions from any other source; and
- i. Any other payment for anything incidental to the foregoing provisions or in connection with or incidental to any other function of the Service under or pursuant to the Act.

The current funding mechanism of the FIRS is designed to ensure that the Service is financially independent and adequately enabled to perform its functions. By virtue of Section 17 of the FIRS (Establishment) Act, the Service prepares an estimate of its income and expenditure for the succeeding year which the Act specifies must be done before September 30 of each year. The estimates are subsequently presented to the National Assembly for appropriation.

The funds received by the Service increased tremendously in 2005 when the implementation of the cost of collection principle commenced. As shown in Table 5, in 2004, the Service received a total of N4.365 billion, while the total sum received in 2005 was a total of N16.471 billion which was a 277 percent increment relative to the previous year. The astronomical increase in sums received by the Service is largely attributable to the application of the cost of collection principle.

The Service maintains an “FIRS Fund Account” (previously known as the “Cost of Collection Account”) at the Central Bank of Nigeria (CBN) into which proceeds derived from the four percent cost of collection appropriation is paid.

The annual expenditures of the FIRS are classified under three main sub-heads:

- a. Salaries: All salaries and personnel costs of the Service are paid from a Personnel Cost Account maintained by the FIRS at Guaranty Trust Bank PLC.
- b. Overheads: The overhead costs of the Service are settled from the “Overheads Account” maintained at STANBIC IBTC PLC.
- c. Capital: The FIRS maintains a Capital Account at the CBN from where all capital expenditures of the Service are defrayed.

The Service however also maintains a number of other accounts which funds needed to carry out necessary activities pertinent to tax administration, staff welfare and other responsibilities are housed.

The Impact of Cost of Collection Mechanism on FIRS Funding

The multifaceted approach to the reforms resulted, overall, in higher revenue yields to the government year-on-year. This in turn led to improved funding for the FIRS based on the four percent cost of collection appropriation. This improved funding has led to a number of positive, desirable results which are enumerated and discussed below.

Acquisition of Additional Assets

The Service has become more empowered to acquire both real and movable assets. In the area of real assets, this has enabled the Service not only to expand its offices nationwide, but also to move gradually from a regime of rented premises to acquisition. Acquisition of other assets such as vehicles and generators has enabled the Service to better carry out its operations. The details on transformation in the asset base of the Service are contained in the segment on “Asset Management.”

Maintenance of Existing Assets

The improved funding has enabled the Service better maintain existing assets nationwide. All vehicles in the Service’s fleet have been secured with tracking systems; office buildings that lacked facilities such as elevators, air conditioners and befitting toilets have had these facilities installed; packing spaces have been provided for all offices of the Service; boreholes

have been sunk in some offices to complement public water supply; generators have been installed in all offices as back up to public power supply.¹⁰ These are just some of the improvements to the assets of the Service that have been made possible as a result of better funding.

Improved Staff Welfare, Motivation and Performance

Due to the powers conferred on the Board under section 7 of the FIRS (Establishment) Act, the Board can stipulate the remuneration of staff, subject to consultation with the National Salaries, Income and Wages Commission. In other words, the autonomy of the Service means it can, from time to time, determine the appropriate remuneration for its workers. The improved funding of the Service places the Board in a better position to adequately remunerate workers which in turn improves staff morale and leads to better performance. Pursuant to the powers conferred by section 7 of the Act, and in the light of improved funding, the Service reviewed the salaries and remuneration of its employees in 2007 and made it competitive with welfare packages offered by the organized private sector. This was aimed at motivating the existing workforce towards higher productivity and also attracting top talents into the employment of the Service. In 2008, the Management of the Service also introduced a key performance indicator-based bonus payment system whereby officers of a department that have substantially met their set targets in a particular quarter are paid the equivalent of one month salary as “bonus payment.” This was aimed at, and has indeed motivated staffs of the Service towards high performance. In 2010, the Management reviewed rates of “duty travel allowances” for high cost cities.¹¹ The new rates are intended to cushion the high cost of services incurred by officers on official assignments to these areas. Again in 2011, the Board approved housing and car loan schemes for employees of the Service. In July 2011, the Loans Management Committee published approved guidelines for eligibility for the two schemes.¹² All these strategies are aimed at motivating staff for optimal performance.

Engagement of Professionals in Tax Functions

With the improved funding, the Service is better positioned to engage the services of seasoned professionals on either permanent basis or under service contracts with terms which can compete favourably with offers available in Nigeria’s private sector. The Service has engaged

the services of foreign and local experts on a number of projects including but not limited to change management, reforms documentation, human resource and process re-engineering, etc. As a corollary to this, the Service is able to better drive its modernisation process through the installation of requisite software required for some of the processes such as SAP.

Manpower Development

With a better funding profile, the Service is vested with the wherewithal to improve on skills acquisition and capacity building for its staff. Over 4000 staff have benefited from local and foreign training since the beginning of reforms. Without adequate funding, this would not have been possible.

Restructuring of the Management of the Service

In any organisation that is saddled with acute resource constraints, it is often the case that sundry financial issues, some of them mundane, are handled by the Management with the consequence that policy issues are relegated to the backburner. With the improved funding of the Service, the Management of the FIRS is no more saddled with routine issues that can be handled by lower level officers. The Management of the Service has been empowered to focus more on issues of strategic or long-term importance.

Improved Tax Revenue Collection

Improved funding has resulted in the increased tax collection performance of the Service. This has been made possible by two factors. First, the overall impact of the reforms has blocked internal leakages, expanded the tax net and led to better efficiency leading in turn, to higher revenue yield. Indeed, the overall goal of the strategic flanks upon which the entire reforms were driven was to increase collection on a year-on-year basis by at least 25 percent.¹³ Second, while it is in the national interest to grow non oil taxes for sustainable development, the appropriation of a percentage of non oil revenue as cost of collection for the operations of the Service has been a motivation for the Service in the sense that higher non oil revenue for the government translates to higher funding for the operations of the Service.

Financial Performance and Accountability

Like earlier stated, prior to the reform era, the FIRS budget process was subsumed under the Federal Government's budgetary process which is spear-headed by the budget office of the Federal Ministry of Finance. The Budget Office sent out a circular to the Service to submit its budget. In response to the call circular, the Service prepared its budget and submitted it to the Federal Ministry of Finance (Budget Office), which they incorporated the proposals among budget proposals from other departments and agencies. These were then submitted to Federal Executive Council. The Federal Executive Council forwarded the budget to the National Assembly for passage into law. After approval by the National Assembly, the Federal Government then funded the budget on a month to month basis through the issuance of warrant.¹⁴

The financial autonomy granted the Service by the FIRS Establishment Act confers on the Service the authority to finance its own expenditure (both recurrent and capital). The ability to fund its operations is made possible by the cost of collection mechanism by which a certain percentage of revenues collected by the Service is appropriated by the National Assembly for the benefit of the Service.¹⁵ This privilege also confers on the Service the responsibility to account for its activities through the preparation of audited accounts and Management reports which must be defended before the National Assembly and the Public Accounts Committee. The accounts are prepared in accordance with the relevant statutory provisions and the Generally Accepted Accounting Principles.¹⁶

The Service prepares and presents its budget before the Finance Committees of both the Senate and House of representatives without recourse to the Federal Ministry of Finance, as was the practice before the passage of the Act. Further, the basis of accounting leading to the preparation of the financial statement was converted from the "cash basis" to the "accrual basis" of accounting.

Budgeting Processes

Preparation

The first step the Service in the preparation of the FIRS budget is the issuance of a circular called "Guideline for FIRS Budget Preparation" which is forwarded by the Finance and

Accounts Department to the Executive Chairman, FIRS for consideration and approval.¹⁷

The circular contains the following features:

- a. Review of previous two years' budget: For example, circular for 2010 budget will review 2008 and 2009 budgets performance.
- b. Current year budget proposal: This highlights the principles and objectives guiding the current year's budget.
- c. Budget preparation time scales: This highlights in sequence the period of time planned to be spent from the preparation of the guidelines' circular up to the budget defence, budget approval and allocation of the approved budget.
- d. Assumptions underlying the current year budget: This consists of the three features. The first is revenue/expenditure framework. The framework is proceeds on the assumption that the budget is based on percentage of non-oil revenue collection to be determined and approved by the National Assembly. From 2005 to date it has been four percent of non-oil revenue collection. It is assumed that an amount equivalent to a given percentage (4%) of non-oil tax revenue as cost of collection would be available to FIRS to finance its operations. Second, it is also assumed that other sources of income such as grants, disposal of assets etc will be available to the Service. Finally, it is assumed that a percentage of balances in the cost of collection account would be retained as FIRS reserve fund.
- e. Expenditure items: This comprises of three items namely personnel, overheads and capital costs. The personnel cost is usually prepared in consideration with the current staff establishment and in line with the new FIRS salary structure. It will consist of the following consolidated salary, overtime payment, 13th month salary, non regular allowance consisting of performance bonus (merit based) and social contribution consisting of employer contribution for pension and NHIS. The overhead cost represents expenditure meant to cater for day to day operations. Accordingly, adequate funds are usually prepared to cover travels and transport, utility service, office material and supplies, maintenance services, fuelling and lubricants, consulting and professional services, miscellaneous expenses, grants and contributions. Capital costs represent expenditures used by the organisation to acquire or upgrade physical

assets such as property, buildings or equipment. This type of outlay is made by the organisation to maintain or increase the scope of its operations.

- f. **Budget Drivers:** This segment identifies departments or groups that are to play critical roles in the budget preparation as well as its implementation. They are the groups/departments that drive the budget preparation and also its implementation. Generally, 10 departments spread across three groups are critical in budget preparation and implementation. The groups are Support Services Group (SSG), Corporate Development Group (CDG) and Compliance and Enforcement Group (CEG). The departments under the various groups that fall in this category are as follows:

Support Service Group

- a. Human Capital Management Department;
- b. Finance and Accounts Department;
- c. Facility Management Department;
- d. Security and Safety Management Department.

Corporate Development Group

- a. Planning Reporting and Statistics Department;
- b. Procurement Department;
- c. Learning and Development Department;
- d. Modernisation Department;
- e. Information and Communication Technology Department.

Compliance and Enforcement Group

- a. Tax Policy Department

The main focus of the budget preparation guide/circular is to serve as a driver for achieving good outcome in budget preparation and implementation, and indeed create a new set of values that would help in the achievement of the objectives of the Service.¹⁸

After the approval of the Budget preparation guide (together with the call circular) by the Executive Chairman, the next step in the budget preparation process is the issuance of a circular called “Budget Call Circular.” This is a circular issued to Groups/Departments (Coordinating Directors, Directors and Heads of Departments) and other operational offices (Regional Coordinators, Tax Controllers and Heads of Branches, Sections/Units) requesting their cost estimate (recurrent overhead) including estimates from identified budget drivers.¹⁹ In response to the budget call circular, the Groups/Departments and other operational offices prepare their cost estimates (recurrent overhead) which is forwarded to the Finance and Accounts Department (Budget Unit) for onward collation and consolidation towards the preparation of the FIRS Master Budget. A master budget is a budget that summarizes and integrates all the individual budgets within an organisation. The draft master budget is discussed and analysed at the level of the Finance and Accounts Department in collaboration with the FIRS Budget Committee and the Support Service Group before presentation for review to the FIRS Management. After the review by Management, the budget is analysed by the FIRS Board before it is presented to the National Assembly.

Defence at the National Assembly

After passing through the various organs of the Service, the budget is presented to the Senate and House Committees on Finance. The two committees have the mandate to deliberate on the budget before approving same. The committees invite the FIRS Management to appear before them and defend the proposals contained in the budget. In the course of proceedings, the committees may make suggestions and request for adjustments where they deem necessary after which the budget is again reviewed and approved for implementation.²⁰

Budget Performance Review

The Budget Performance Review shows the relationship between budgeted and actual revenue and expenditure in order to gauge the level of its implementation, both in qualitative and quantitative terms. The budget implementation level from 2004 to 2010 (both in percentage and Naira billion) shows the highest performance level of 88.35% in 2004 and the lowest performance level of 38.22% in 2005 as shown in the Table 9. (See appendix.)

The annual budget of the Service has increased from a total sum of N3,305,017,401.00 in 2004 to N50,825,315,696.26 in year 2010.²¹ A comparative analysis of the annual budget shows a 1,537.82% over the 2004 base year as provided in Table 7 (see appendix).

Audited Accounts and Management Reports

Finance and accounts functions were identified as part of the key processes that needed to be automated in order to reposition the Service to meet the challenges of a 21st century tax agency. Prior to the passage of the FIRSEA, 2007, the Service, like any other MDA was operating a cash basis of accounting system with all the associated bureaucratic bottlenecks and was statutorily required to prepare monthly and annual transcripts which were submitted to the office of the Accountant General of the Federation for the consolidation and preparation of the Federal Government Account.²² Pursuant to the reform objectives, Messrs KPMG professional services was engaged to re-engineer the business process of the Finance and Accounts Department and convert the accounting system from cash to accrual basis, so as to realign the accounting operations with leading practices, as well as enshrine processes that will eliminate delays owing to bureaucratic procedures. The major benefits attendant on the re-engineering and conversion of the accounting system include:

- a. The preparation of the Service Financial Statements for the years 2007, 2008 and 2009;
- b. Verification and enumeration of the fixed assets of the Service leading to the deployment of an Automated Fixed Asset Register;
- c. The development of the Finance and Accounts Policies and Procedures Manual;
- d. The development of system functional requirements and end user specifications for the automation of Finance and Accounts processes.

The process for the automation is on going with the constitution of the project team members and the process of selection of the vendor for the implementation of the Enterprise Finance and Accounting solution which has progressed to an advanced stage.²³

Another benefit of the re-engineering is in the area of budget defence at the National Assembly- Public Accounts Committee. There are recorded improvements on handling of the Public Accounts Committee queries resulting from the re-engineering business process of the Finance and Accounts Department. A more strategic process for the verification, assessment of adequacy of responses to audit queries and its collation is now in place to ensure standardisation. This has led to the conclusion of the preparation of the report of audit queries for years 2004, 2006 and 2008 in arrears for submission to the National Assembly

for defence.²⁴ Finally, a proactive measure is now in place for the purpose of ensuring that likely audit query issues are timely resolved with the Resident Auditors accounting for reduction in the number of audit queries received for the 2010 fiscal year.

Funding Policies and Procedures

The Service has instituted policies and control measures to promote fiscal discipline and prudence in the management of the resources of the FIRS. The policies and control procedures are as follows:

Improved Funding Arrangement²⁵

In further pursuit of operational efficiency, the allocation of overhead funds has been decentralised, as opposed to the previously subsisting centralised funding system. Funds are provided to field offices based on relevant criteria, as well as to departments at the headquarters of the Service. Under the “authority to incur expenditure” (AIE), cash allocations are made to offices on a monthly basis. A general vote is also provided for training of officers and renting buildings.

Approving Authority and Limits²⁶

Subject to existing rules and regulations and for reasons of administrative convenience, the following approving authorities have been ratified by the Management of the Service:

- a. The Executive Chairman who is authorized to approve the expenditure of N2 million and above;
- b. The Coordinating Directors can authorize the expenditure of sums not exceeding N2 million;
- c. Directors and Heads of Department may authorize the expenditure of sums not exceeding N600,000; and
- d. Regional Coordinators and Large Tax Controllers are allowed to authorize the expenditure of a maximum of N300, 000.

*Payment Process*²⁷

Requests for payments at the headquarters must be approved in accordance with the approval limits before payment will be processed by the Finance and Accounts Department. Contract of supplies must be accompanied with certification from the Stores, Stock Verifier, User Department Director/Head and the Coordinating Director overseeing the Finance and Accounts Department. The endorsement of the Coordinating Director of the Support Service Group is also required for the processing and/of payment of approved contracts. At the regional level, Regional Coordinators shall approve overhead payments incurred by Tax Controllers, Head of Tax Audit and field office staff, while Large Tax Controllers give approval for expenses incurred in the course of office operations. Personnel expenses incurred by Regional Coordinators and Large Tax Controllers shall be approved by their relevant Directors at the headquarters.

*Reporting and Returns Rendition*²⁸

At the headquarters, the departments prepare the annual accounts of the Service and render periodic management reports during the year to the Management of the Service. At the regional level, the Regional Accountant is required to render monthly returns to the headquarters not later than seven (7) working days of the new month.

Regional Accounts Inspection

Officers of the Finance and Accounts Department at the Headquarters are constantly sent out to inspect the regional account books and records to ascertain and ensure compliance with relevant operating guidelines, policies and procedures.

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CHAPTER NINETEEN

BOARD-MANAGEMENT RELATIONS

Background

Paul Hirst defines governance as “the means by which an activity or ensemble of activities is controlled or directed, such that it delivers an acceptable range of outcomes according to some established standard”.¹ Governance generally involves the process of decision-making and the process by which decisions are implemented. Given that positive governance, which is called “good governance” has become a central focus of governance, some specific attributes or characteristics of good governance have been identified by scholars and practitioners. These include participation, rule of law, transparency, accountability, responsiveness, building consensus, equity and inclusiveness and effectiveness and efficiency. It is within the context of the foregoing conceptualisation that we can understand governance reforms in the Federal Inland Revenue Service.

The relationship between the FIRS Board and the FIRS Management is founded on the powers and responsibilities of the two organs as provided under the Federal Inland Revenue Service (Establishment) Act 2007. The powers of the Board are contained in Section 7 while the functions of the Service are contained in Section 8. Essentially, the Board has the power to make policies (or delegate that power to any other organ of the Service) while the Service; through its Management Team, implements the policies of the Board and ensures the day to day functioning of the Service is done in a manner that is consistent with its organisational mandate. The Act therefore, provides the framework for corporate governance in FIRS. The Act altered the composition, structure, procedure and tenure of office of key decision makers from what was obtained prior to its passage. This chapter locates the developments that have taken place in FIRS governance structures and processes taking into account the governance arrangements within the Service before and after the passage of the Act.

Governance Reform

The predecessor to the Federal Inland Revenue Service was the Federal Board of Inland Revenue, FBIR. The FBIR was originally established under the Companies Income Tax Act, CITA, 1961 to take over the functions previously carried out by the commissioner of income taxes. The Companies Income Tax Act, CITA, 1979 repealed CITA 1961 but provided for the continued existence of the FBIR. The governance arrangements of the FBIR went through series of adjustments under CITA 1961 as well as CITA 1979. More emphasis will however be laid on the governance apparatus as it existed shortly before the commencement of reforms in 2004.

Section 1 (1) of the Companies Income Tax Act 1979 established the Federal Inland Revenue Service as the operational arm of the FBIR, but the decision-making powers were vested in the Federal Board of Inland Revenue as a body corporate with perpetual succession, possessing powers to sue and be sued in its corporate name. The FBIR was composed by:²

- a. an executive chairman being a person experienced in tax matters and appointed from within the Service;
- b. the directors and heads of departments of the Service;
- c. the director or officer in charge of planning, research and statistics in the Federal Ministry of Finance;
- d. a member of the National Revenue Mobilisation Allocation and Fiscal Commission;
- e. a member from the Nigerian National Petroleum Corporation not lower in rank than an Executive Director;
- f. a director from the National Planning Commission;
- g. a director from the Nigeria Customs Service;
- h. the Registrar-General of the Corporate Affairs Commission; and
- i. the legal adviser to the Service.

The powers and duties of the Board were contained in section 3 of the Act. These powers and duties were as follows:

-
- a. The due administration of the Act and the tax (i.e companies' income tax) were vested in the Board and the Board was empowered to do all such things that were necessary and expedient for the assessment, collection and accounting of the tax in a manner prescribed by the Finance Minister.
 - b. The power to acquire, hold and dispose of any property taken as security for any tax, penalty or judgment debt and account for such property and the proceeds thereof in a manner prescribed by the Finance Minister.
 - c. The power to sue and be sued in its name, and subject to an express provision under any subsidiary legislation, to authorise any person to accept service of any document to be sent, served upon or delivered to the Board.
 - d. The power to authorise any person in Nigeria or outside either through notice in the federal gazette or in writing, to perform on behalf of the Board any duty or power conferred on the Board other than the powers specified under the First Schedule to the Act.
 - e. The power to authorise the Joint Tax Board, with the consent of the Finance Minister, to perform any duty or power conferred on the Board, including the powers specified in the First Schedule.

The Act subjected the powers and duties of the Board to the authority, direction and control of the Finance Minister.³

Another organ created by the Act was the Technical Committee of the Board.⁴ The Committee consisted of:

- a. the Executive Chairman of the Board as chairman;
- b. all directors and heads of department of the Service;
- c. the legal adviser of the Service; and
- d. the secretary to the Board

The functions of the Committee were to:

- a. consider all tax matters that required professional and technical expertise and make appropriate recommendations to the Board;
- b. advise the Board on all the powers and duties specifically vested in the Board; and
- c. attend to such other matters as may from time to time be referred to it by the Board.

An act of the Board was signified either under the hand of the chairman or by notice in the federal gazette. Where the act was in relation to the powers of the Board as specified in the First Schedule, signification was made under the hand of the chairman or the secretary.⁵ Notices or documents required to be served by the Board under any provisions of the Act were valid if signed by the chairman or a person nominated by him or if such notice was printed with the official name or stamp of the Board. The Board also had powers to determine and specify the form of returns, claims, statements and notices under the Act.⁶ In general, therefore, subject to the overall control of the Finance Minister, the Board as composed was not just the governing apparatus, but also the corporate personality for the Federal Inland Revenue Service. The Service merely carried out operational matters in line with policies and guidelines established by the Board.

In what ways have the Federal Inland Revenue Service (Establishment) Act 2007 altered the above structure and arrangements?

Legal Status

The Federal Board of Inland Revenue does not exist anymore. Section 62, Federal Inland Revenue Service (Establishment) Act (FIRSEA) repealed Part I, Companies Income Tax Act and dissolved the Federal Board of Inland Revenue. In its place, corporate personality has been conferred on the Federal Inland Revenue Service.⁷ The FIRS Act also establishes a board for the Service called the Federal Inland Revenue Service Board. The board is the governing apparatus of the Service; having overall supervision of the Service and specifically having the following powers and functions:⁸

- a. provision of general policy guidelines relating to the functions of the Service;

- b. manage and superintend the policies of the Service on matters relating to the administration of the revenue assessment, collection and accounting system under this Act or any enactment or law;
- c. review and approve the strategic plans of the Service;
- d. employ and determine the terms and conditions of service including disciplinary measures of the employees of the Service;
- e. stipulate remuneration, allowances, benefits and pensions of staff and employees in consultation with the National Salaries, Income and Wages Commission; and
- f. do such other things which in its opinion are necessary to ensure the efficient performance of the functions of the Service

Composition

The composition of the FIRS Board is completely different from the composition of the erstwhile FBIR. First, apart from the Chairman of the FIRS who also doubles as the Chairman of the FIRS Board, no other staff of the Service sits on the new Board unlike under the FBIR scenario where directors and heads of departments were members of the FBIR. Second, two new institutional members have been included on the FIRS Board that did not belong to the defunct FBIR. These are the Central Bank of Nigeria and the Attorney General of the Federation. Third, unlike the FBIR, geo-political representation has been introduced on the FIRS Board. Finally, the Chairman of the Service/Board may be appointed outside the Service unlike under the FBIR where the Chairman had to be appointed from within the Service. By virtue of section 3 (2) of the FIRSEA the FIRS Board now consists of the following 15 members:

- a. The Executive Chairman of the FIRS, who shall be a person experienced in taxation to be appointed by the President as Chairman;
- b. Six members with relevant qualifications and expertise appointed by the President to represent each of the six geo-political zones of the country;
- c. The Chairman of the National Revenue Mobilisation, Allocation and Fiscal Commission or his representative;
- d. Representative of the Minister of Finance not below the rank of Director;

- e. The Group Managing Director of the Nigeria National Petroleum Corporation or his representative not below the rank of Group Executive Director or its equivalent;
- f. The Chief Executive Officer of the National Planning Commission or his representative not below the rank of Director;
- g. The Comptroller-General of the Nigerian Customs Service or his representative not below the rank of Deputy Comptroller-General;
- h. The Registrar General of the Corporate Affairs Commission or his representative not below the rank of Director;
- i. A representative of the Attorney-General of the Federation; and
- j. The Governor of the Central Bank of Nigeria or his representative.

The pioneer FIRS Board was inaugurated by the Minister of Finance, Dr Shamsudeen Usman, at Aso Villa, Abuja and it had its inaugural meeting on Friday, July 11, 2008. The Board was constituted as follows:

- | | |
|----------------------------|---|
| a. Ifueko Omoigui Okauru | (ECFIRS) Chairman |
| b. Chief David Olorunleke | (North Central Zone) Member |
| c. Dr Mark Abani | (South East Zone) Member |
| d. Alh. Abubakar Dikko | (North West Zone) Member |
| e. Mr. Nsa Harrison | (South South Zone) Member |
| f. Mallam Ballama Manu | (North East Zone) Member |
| g. Prof. Folarin Shyllon | (South West Zone) Member |
| h. Dr. Shehu Misau | Representing the Minister of Finance |
| i. Abubakar Yar' Adua | Group Managing Director, NNPC |
| j. Ahmed Mustapha | Registrar General, Corporate Affairs Commission |
| k. Mike Aondoakaa | Attorney General of the Federation |
| l. Prof. Chukwuma Soludo | Governor, Central Bank of Nigeria |
| m. Alh. Hamman Bello Ahmed | Comptroller General, Nigerian Customs Service |
| n. Prof. Sylvester Monye | Executive Secretary, National Planning Commission |

Meetings and Proceedings of the Board

The proceedings of the Board are chaired by the Executive Chairman FIRS as the Chairman of the FIRS Board. Section 2(1), Second Schedule, FIRSEA provides that the Board shall hold an ordinary meeting every quarter. This is without prejudice to additional meetings of the Board as are necessary for the effective implementation of its mandate which shall be convened by the Executive Chairman or pursuant to a notice to convene a Board meeting given him by at least four Board members. The statutory requirement that the FIRS Board holds at least one meeting in every quarter of the year is a novelty that did not exist under the FBIR. Section 1 (6) of the CITA mandated the secretary to the FBIR to summon a meeting only “whenever the business requiring its attention so warrants, or upon any request of a member.” Quorum for a Board meeting is formed by 5 Board members— inclusive of the Executive Chairman or the person presiding at the meeting as an ad hoc Board Chairman— personally present and voting throughout the meeting. And all matters arising at a meeting of the Board shall be decided by consensus and where not possible, by a simple majority of the votes cast by the members present and voting.⁹ Each member of the Board shall have a deliberative vote save for the Executive Chairman— or the person presiding at the meeting— who shall have a casting vote where there is an equality of vote.¹⁰ Notwithstanding the foregoing, the members of the Board may unanimously agree to have a more stringent voting requirement.¹¹ The CITA provided for a quorum of any seven members one of whom had to be either the chairman or a director; but did not provide elaborate provisions for proceedings.

Apart from the Board quarterly meetings, other Board meetings are to be convened sequel to a notice of 14 given to all Board members. With reference to the quarterly meetings, they are to be planned at the beginning of every fiscal year and the dates of such meetings shall be confirmed at the prior Board meeting. However, the Board Secretary is duty bound to send out a 14 day notice as a reminder to all Board members.¹²

Tenure of Office

The tenure of office of the members of the Board and the Chairman is as specified by section 4 of the FIRSEA. It provides that the Executive Chairman and other members of the Board, other than ex— officio members shall each hold office for a term of four years renewable once only on such terms and conditions as may be specified in the letter of

appointment. The implication of this is that one can only be a member of the Board for a maximum period of eight years, save where he is an ex-officio member. In addition to the foregoing, it should be noted that by virtue of Section 3 (3) of the FIRSEA the members of the Board, other than the Executive Chairman, shall serve on part-time basis. Furthermore, unless where circumstances arise as envisioned by section 5 of the FIRSEA, the tenure of office of FIRS Board members is for a secure tenure. By section 5, a Board member ceases to be a member if:

- a. He resigns his appointment as a member of the Body by notice under his hand addressed to the President;
- b. He becomes of unsound mind;
- c. He becomes bankrupt or makes a compromise with his creditors;
- d. He is convicted of a felony or any offence involving dishonesty or corruption;
- e. He becomes incapable of carrying on the functions of his office either arising from an infirmity of mind or body;
- f. The President is satisfied that it is not in the interest of the Service or in the interest of the public for the person to continue in the office and the President removes him from office;
- g. He has been found guilty of contravening the Code of Conduct Bureau and the Tribunal Act; or gross misconduct in relation to his duties;
- h. In the case of a person possessing a professional qualification, he is disqualified by a competent authority;
- i. Where a person becomes a Board member by virtue of the office he occupies, his membership to the board terminates once he ceases to hold such office

Where a casual vacancy occurs in respect of the Board's composition during the course of any period, the Board shall formally notify the relevant agency— in the case that a representative of that agency is on the Board— or the President of the Federal Republic of Nigeria of the vacancy and provide recommendations towards ensuring that the Board maintains a balance of skills, expertise, diversity and representation of stakeholders.¹³ Where the tenures of the members end simultaneously, the Board is obligated to advise the President of possible strategies for ensuring a seamless transition and preservation of institutional

memory and continuance of the Board at least 12 months before the expiration of their tenure.¹⁴ Under the defunct FBIR, there was no statutory term of office. A member of the FBIR ceased to be a member if he vacated the office, by virtue of which his FBIR membership was guaranteed.

Governance Policy and Board Charter

The governance policy of the FIRS Board is geared towards ensuring the application of the principles of good corporate governance in all dealings on behalf of the FIRS. Consequently, the governance policy of the Board reflects the characteristics of good corporate governance. The governance policy of the Board is distillable from the Draft Board Charter which is expected to come into operation as soon as the Board ratifies it. The Board Charter also sets out the specific responsibilities to be discharged by the Board members collectively, as well as the roles and responsibilities incumbent upon them as individuals. The vision for the Board Charter is that it will one day form an integral part of the documents that guide the operations of the FIRS and benchmark the annual performance evaluation of the Board. It is not meant to override, supersede or replace any law guiding the operations of the FIRS. Rather it is meant to compliment all existing laws and regulations. Consequently, in the event of any inconsistency between it and any law in force in Nigeria, the latter shall prevail. It was made pursuant to section 7, FIRSEA which empowers the Board to formulate policies and regulations regarding the Board's proceedings and give effect to the provisions of the Act for the effective implementation of the objectives and functions of the FIRS. The Board Charter is designed to ensure the long term performance, effectiveness, financial sustainability and accountability of the FIRS in the following key areas:

- a. Service delivery infrastructure;
- b. Human resources;
- c. Policy engagement regarding tax regulations and laws;
- d. Application of tax policies and laws in the delivery of services to tax payers; and
- e. Delivery of high tax revenue

The Board Charter is an 18 paragraph document. Paragraph one recognises the supervisory role of the Minister of Finance over the affairs of the FIRS pursuant to the provisions of Section 51 (1) of the FIRSEA. It further provides that the Board shall serve as a conduit in

the relationship of the Minister with the FIRS as it is accountable for the overall performance and effectiveness of the latter. Paragraph two is a statement of the mandate and role of the Board. Specifically, it recognises the primary responsibility of the Board; that the day-to-day management of the FIRS is vested in the hands of the Executive Chairman; and that the FIRS is accountable to the Board through the Executive Chairman. Paragraph three focuses on the composition of the Board. It reiterates the position under the FIRSEA as it relates to the constitution of the Board, the tenure of the Board members as well as the grounds for the cessation of Board membership. The Board is also vested with the power to review its composition to ensure that it contains a balance of the skills, experience, diversity and mix of personalities appropriate to the strategic direction of the of the FIRS and necessary to secure its optimum performance. Paragraph four recognises the dual position of the Executive Chairman and the functions arising from that dual position. It provides that the Executive Chairman performs firstly, the strategic role of chairing the Board and secondly the operational role as the Executive head of the FIRS. In the course of performing his strategic role as Chairman of the FIRS, the chairman shall, inter alia, be responsible for:

- a. Presiding over and acting as facilitator at meetings of the Board;
- b. Maintaining regular dialogue with the senior Management of the FIRS over all operational, financial and administrative matters;
- c. Ensuring the integrity and effectiveness of the governance process of the Board;
- d. Establishing, maintaining and managing the relationship of the Board with stakeholders and ensuring effective communication between the Board and stakeholders

In his second capacity as the key officer responsible for the operational direction of the Service, the Executive Chairman as the administrative head and chief accounting officer of the FIRS is responsible for:

- a. Leading the Management Team and taking responsibility of daily operations of the FIRS and as the legal representative of the Service, having the capacity to, inter alia enter into contracts on behalf of the FIRS;
- b. Implementing the Board's strategy and ensuring that the FIRS structure, administration and processes are operating effectively;

- c. Maintaining regular dialogue with the Board as well as intimating it with all operational, financial and administrative issues concerning the Service;
- d. Ensuring that employees and other parties working for or with the FIRS are not subjected to treatment or conditions that are undignified, inequitable, unfair or unsafe.

Paragraph five brings to the fore, the duties of the Board members. By imposing a fiduciary duty on the Board members, it mandates them to act with fidelity, honesty and integrity in all dealings on behalf of the FIRS. This duty also prohibits them from using their position as Board members or any confidential information acquired in that capacity for their personal gain or that of any other person. It also evidences the undertakings of the Board members in relation to their position and also reiterates the provisions of Section 15, Second Schedule, FIRSEA which pertains to conflict of interest of Board members. Section 15 provides that any member of the Board (including Board Committees)¹⁵ that has a personal interest in any matter being considered by the Board shall declare his interest and not vote on any question that touches on the matter.

The functions of the Board Secretary are contained in paragraph six of the Draft Board Charter. It states that the Board Secretary shall work closely with the Executive Chairman to ensure the proper and effective functioning of the Board and the integrity of the Board's governance process. The mechanics of Board meetings is the focus of paragraph seven. The paragraph provides for the frequency and quorum of meetings as well as the voting procedure at meetings. The Charter reiterates the provision of the FIRSEA regarding frequency of meetings and quorum. Other issues addressed by the paragraph include attendance by non-members of the Board, venue of meeting, agenda and meeting paper as well as the recording of proceedings. The right conferred on the Board by the FIRSEA to delegate its duties and functions to any committee set up by it is re-echoed by paragraph eight of the Charter. Paragraph 8.2.11 distinguishes Board Committees from Management Committees. The latter report directly to the Executive Chairman in his capacity as the Executive Head and Chief Accounting Officer of the FIRS while the former report to the Board. The Board presently has 6 standing committees to wit:

- a. Technical Committee;
- b. Revenue and Finance Committee;
- c. Staff and General Policy Committee;

- d. Audit Committee;
- e. ICT and Business Process Committee;
- f. Enlightenment, Engagement and Communication Committee.

The Board recognises that auditing is an integral part of the governance structure of the FIRS. Thus the Board undertakes to ensure that the internal audit team has the necessary standing and that it reports at a level within the FIRS that allows it to discharge its responsibility effectively. The Board Charter obligates the Board to ensure that the finances of FIRS are audited by an external auditor appointed by the Board.

Policies, Guidelines and Processes of the Service

The Federal Inland Revenue Service (Establishment) Act 2007 provides the Service with legal backing to articulate its policies. Section 7 (1) (a) and (b) empower the FIRS Board to:

- a. Provide the general policy guidelines relating to the functions of the Service; and
- b. Manage and superintend the policies of the Service on matters relating to the administration of the revenue assessment, collection and accounting system.

The Board mandated the Management of the Service to set up a “Transition Committee”. The committee, comprising representatives of staff of the Service, in-house staff unions, external staff unions, Head of Civil Service of the Federation, Chairman of the Federal Civil Service Commission and external consultants was set up on 17 June 2009, and inaugurated on 22 June 2009. The mandate of the committee was to develop the framework, identify key requirements and make relevant recommendations for implementation of the provisions of section 63 of the FIRSEA, 2007¹⁶ as well as facilitate the conclusion of some of the human resources transformation initiatives already embarked upon but still pending in the Service. Among the specific terms of reference of the committee was the mandate to finalize all pending HR issues previously identified by the Board and update the relevant HR manuals including Conditions of Service, Code of Ethics, Scheme of Service and Learning and Development policies and procedures manual. On 30 July 2009, the following policy manuals were finalized and published under the authority of the FIRS BOARD:

- a. Communication Policy;

- b. Road Transportation Policy;
- c. Policy on the Endowment of FIRS Professorial Chairs;
- d. Terms and Conditions of Service;
- e. Code of Ethics;
- f. Internal Affairs Department Policies and Procedures;
- g. Scheme of Service.

Human Resource Policies and Procedures

The policy manuals are founded on the Vision and Mission of the Service which, respectively, are; “to deliver quality service to taxpayers in partnership with other stakeholders and make taxation the pivot of national development” and “to operate a transparent and efficient tax system that optimizes tax revenue collection and voluntary compliance.” The manuals also adopt the core values of the Service namely;

- a. Professionalism;
- b. Integrity;
- c. Efficiency; and
- d. Ownership and Collective Responsibility.

Communication Policy

The Communication Policy is based on FIRS’ obligations as stipulated in Section 8 (1) (r) of the FIRSEA, 2007. The paragraph stipulates that one of the functions of the Service is “to carry out and sustain rigorous public awareness and enlightenment campaign on the benefits of tax compliance within and outside Nigeria.” The Management of the Service recognises that communication and information dissemination are significant inputs in its commitment to an efficient, transparent and responsible discharge of its legal, socio-economic and professional responsibilities to all stakeholders in the overall advancement of national interest and development.

The FIRS Communication Policy represents underlying assumptions and understanding of knowledge/competencies of the operators in providing support structures for the promotion

and efficient realization of the legal mandate of the Service as spelt out in the Federal Inland Revenue Service (Establishment) Act, 2007. In addition to the demands of the Act, the communication policy is informed by ethical, professional and operational realities in communications and tax administration within the context of national considerations. The policy compliments existing legal, Public Service guidelines and conduct relevant to communication and information. The policy manual covers its scope in 4 sub-headings namely:

- a. Policy Procedures in Internal Communication;
- b. Policy Procedures in External Communication;
- c. Public Information, Education and Capacity Building for Taxpayers;
- d. Communication Audit, Monitoring and Evaluation Procedures.

Internal Communication

- a. Loyalty to the Service, honesty, responsibility, professionalism and timelines shall guide the information and communication conduct of internal stakeholders in FIRS in all circumstances.
- b. Staff may, through official meetings or individual informed initiative, communicate proposals for change and improvement in service delivery formally to Management through their immediate Supervising Officers.
- c. Staff should ingrain in their consciousness, all significant information on FIRS and to courageously contradict any negative perception or misinformation about the Service whenever they encounter them.
- d. All communication (correspondences, inquiries, reports etc) should be expeditiously treated. Sanctions should be applied with attainable timeliness for task performance set as benchmarks.
- e. Informal and often dysfunctional information channels e.g. grapevine, gossip, internet and GSM abuse are serious infractions against this policy. Such disruptive communication outlets and behaviour attract sanctions as spelt out in Service regulations.

- f. FIRS shall establish and maintain regularly, at least two official internal media channels/publications. One of the channels shall be dedicated to the dissemination of routine and ad-hoc information on events/activities of members of FIRS Board, Management and Staff. It shall be packaged in not more than two sheets (on average but mostly on a single sheet) this entails minimal cost and shall be published weekly, forth-nightly or as dictated by exigency.
- g. Staff unions, as partners in service, should in their information use, demonstrate exemplary conduct in consensus building, self-regulating/policing of their members and loyalty to the core purpose and objectives of FIRS.
- h. Unions shall seek or exploit peaceful internal resolution of conflict through relevant communication and information exchange and avoid making public information on unresolved/pending issues/matters, especially to the mass media.
- i. All staff shall subscribe to the patriotic obligation to bring to the notice of relevant departments and the Service at large any dysfunctional or injurious media publication/content or any step that promotes information dissemination and generates positive image for the Service.
- j. At external/public events involving FIRS, staff may interact with the press strictly on routine matters while interviews on issues of policy and administration are not allowed except this falls in line with the responsibilities of the staff or with express/prior approval of the Executive Chairman.

Policy Procedures in External Communication

The thrust of the external communication of the Service is to serve and protect the interest of government and all stakeholders in so far as these do not compromise the autonomy and legal mandate of the Service. The external policy of the Service stipulates the following parameters:

- a. Official communication with external stakeholders (governments, ministries, departments, agencies, the mass media, diplomatic corps, legislature and general public) is the responsibility of the Executive Chairman or as explicitly approved and directed/assigned by the Executive Chairman.

- b. External communication relationship shall be based on mutual respect and cooperation with due regard to the Service's independence and protection as provided by law.
- c. Without prejudice to the constitutional guarantee of freedom of opinion and expression, a staff may only contribute to public discourse on any issue relating to the Service by explicitly entering a caveat that the opinion of such staff does not represent the official position of FIRS on the said issue.
- d. In the event of public misinformation, misrepresentation or obvious assault on FIRS, its Board, Management, staff and/or operations, it shall be the responsibility of the Director of Corporate Communications Department or any officer so assigned to provide a response, seek correction or retraction of such offensive content.
- e. The Director, Corporate Communications Department shall using his/her professional competence and expected contacts, investigate from the angle of the offending medium/media, the circumstances/antecedents of such publications with a view to forestalling or minimizing similar future incidents.
- f. Regardless of any action taken by FIRS against offending medium/media/author, it shall be the responsibility of the Management to investigate any complicity and the extent thereof by any staff in the matter for appropriate sanctions.

Public Information, Education and Capacity Building for Taxpayers

The Service in recognition of the utmost importance of keeping the taxpaying public informed and educated on issues bothering on taxation provides for the following policy principles:

- a. Sustainable public and taxpayers' sensitization, education, mobilization and capacity building shall be the core purpose of this policy and the core activity of the Corporate Communications Department.
- b. In order to position and sustain tax issues positively in the public consciousness and as part of national socialization process, this policy shall work for the inclusion of emphasis on information, education and communication relating to taxation, citizenship obligations in curricula and training from basic to tertiary levels of our educational system.

Communication Audit, Monitoring and Evaluation Procedures

With regards to communication audit, monitoring and evaluation procedures, the policy manual states that:

- a. In-house communication audit or communication impact assessment shall be conducted quarterly on all campaign-backed activities.
- b. There shall be an annual external communication audit on all media/public campaigns of FIRS.
- c. Preceding the commencement of any communication-support activity, relevant departments/units shall collaborate on the concepts and designs of Key Performance Indicators and establish timelines and stages in the process or activity.
- d. Monitoring and evaluation procedures shall be products of collaboration and consensus, involving relevant departments/units.

Policy on Terms and Conditions of Service

The entirety of the policy on terms and conditions of service is aimed at enabling new employees and other staffs of the Service to have first-hand information of what is required of them and what benefits are accruable to them from the Service. Some of the salient terms and conditions include:

Probationary Period

New employees of the Service are placed on probation for a period of one year. Confirmation is subject to satisfactory performance and conduct as determined by the Board, during the one year probationary period.

Remuneration and other Financial Benefits

- a. Salaries payable to employees of the Service are to be based on the Consolidated Salary Regime (i.e. no separate allowances) and as approved by the National Salaries, Income and Wages Commission;

- b. Officers on new posting or on assumption of duty on new appointment at their station, different from their city/town of residence/domicile are eligible for allowance for the first 28 days in lieu of hotel accommodation;
- c. Every staff is entitled to a thirteenth (13th) month salary at the end of each calendar year;
- d. Performance bonus on the criteria and basis determined by Management is paid to eligible employees in appreciation of the employees' contribution towards achieving the overall organisational objectives as determined by the evaluation of Key Performance Indicators for the Service, unit/group and self.

Financial Deductions/Contributions

- a. Employees are at liberty to indicate which union they wish to belong to and accordingly pay union dues as appropriate;
- b. All staff of the Service are to benefit from the FIRS Group Life Policy (Insurance Scheme) as provided under section 9 (3) of the Pension Reform Act, 2004;
- c. All employees are required to contribute 2.5 percent of their gross consolidated salary to the National Housing Fund;

Annual Leave

Employees are expected to go on annual leave as contained in the HR Policy and Procedures document. Annual leave entitlements lapses at the end of every calendar year.

Deployment of Staff

The Service reserves the right to deploy staff anywhere within the country, and staff shall not reject any posting.

Promotion

Promotion of employees from one salary level to another is subject to eligibility, availability of vacancy, satisfactory on-the-job performance in line with agreed Key Performance Indicators, and successful performance in examinations as determined for promotion to the salary level, and meeting conditions specified for promotion for the salary level as prescribed

in the approved Scheme of Service and the Human Resource Policy and Processes Document.

Employee Conduct

The conduct of an employee in the Service is guided by the extant rules and regulations of the Service. Employees are expected to be of high moral behaviour and discipline in line with the vision of the Service, contravention of the rules and regulations of the Service shall lead to appropriate disciplinary measures.

Exiting the Service

- a. An employee who retires/resigns from the Service must refund to the Service in full any sum of money he/she may be owing the Service.
- b. A confirmed employee is required to provide three months notice of retirement or in the alternative, three months' salary in lieu of notice, where he/she elects to go immediately.
- c. Where an employee's retirement is in the best interest of the Service, the employee shall be paid three (3) months' salary in lieu of notice.
- d. An employee on probation is required to give a minimum of one month's notice of resignation from the Service or pay to the Service one month's salary in lieu of notice, where he/she elects to resign immediately.
- e. An employee may retire with the consent of the Service after a minimum of 10 years provided that pension benefits shall not be claimed until the retired employee has attained the age of 50 years.
- f. An employee shall retire from the Service on attaining the age of 60 years or 35 years in Service whichever comes earlier. However, a Director shall retire from the Service after eight (8) years in that position, notwithstanding the age or length of service.
- g. A Coordinating Director occupies a tenured (and not career) position on terms and conditions as approved by the Board, and is for three years in the first instance subject to satisfactory performance and conduct. Tenure is renewable for another

three year term only. Coordinating Directors exit the Service at the expiration of their tenure or earlier as may be determined by the Board.

Right of Appeal

Where an employee is dissatisfied with the decision of the authority affecting his/her career, he/she has the right to appeal through the immediate supervisor to the Head of Department, to the Group, to the Management and then to the Board for redress.

Transitional Arrangement

- a. Eligible staff transiting to the new Service will be deemed as confirmed staff of the Service as at the date of transition.
- b. Staff who do not meet criteria for transiting into the new Service but who fall into the category of staff with grace period ending 2013 hold their appointment into the Service on the condition that on their acquiring the relevant qualifications as approved by the Board, they become eligible for automatic new appointment with the Service. Employees within this category are to remain on their salary level and are not eligible for promotion.

Road Transport Policy

The policy aims to reduce road transport accidents to the barest minimum as well as safeguard FIRS personnel and assets. It also aims to safeguard FIRS' reputation and ensure that FIRS drivers and staff comply with traffic laws and regulations. The FIRS Transport Policy Statements are as follows:

- a. All FIRS vehicles must have functional safety equipment (fire extinguisher, caution sign, first- aid box, etc.);
- b. All journeys must be approved;
- c. All journeys must follow the journey management plan;
- d. All FIRS vehicles must have log-book which should be regularly updated;
- e. Seat Belt Usage;

- f. All vehicles used for FIRS business must be fitted with front and rear seat belts which must be used by the drivers and all passengers;
- g. No Night Driving;
- h. Driving on FIRS business in Nigeria after 8:00pm and before 6:00am is prohibited unless with relevant Management approval;
- i. A 'non-accident' bonus shall be paid to drivers who have not had accident throughout the year.

Policy on the Endowment of FIRS Professorial Chairs

In pursuance of its commitment to taxpayer education and the mainstreaming of tax curriculum into the Nigerian educational system, the Service collaborated with the National Universities Commission (NUC) to institute professorial chairs in taxation in Nigerian universities. Thirteen Nigerian universities, including federal and state owned universities, drawn from the six geo-political zones of the country and the University of Abuja representing the FCT have been selected for the endowment of the professorial chairs. The chairs are to be called FIRS Professorial Chairs in Taxation. The appointment of faculty members for the Chairs shall be widely advertised. Selection of professors shall be by the Executive Secretary of the NUC based on Terms of Reference (TOR) provided by FIRS, which shall reflect the vision, mission and core values of the Service. The Chair will provide leadership in the teaching, research, capacity building and project advisory contributions to FIRS and the host university. The Chair will actively take part in teaching and supervision at MSc and PhD levels and act as co-promoter of PhD candidates among other tasks. The FIRS Professorial Chairs in Taxation are expected to achieve the following objectives:

- a. To develop and mainstream tax curriculum in selected Nigerian universities at both undergraduate and postgraduate levels by way of general/civic studies for all students;
- b. To develop a tax-paying culture among all undergraduate and postgraduate students of the selected universities;
- c. To improve related infrastructure for the teaching of taxation courses and research on global taxation trends, developments and best practices;
- d. To provide scholarships for the study of taxation in selected universities.

The scheme shall facilitate studies focused on taxation of specialized sectors/industries; compliance and enforcement; and comparative developments in global tax administration and practices. An appointee to the Chair must have a fair knowledge of these three areas and specialization in at least one of the areas mentioned above. He/she must also have a strong general understanding of tax law, tax administration and practice around the globe and the dynamics of the changing profession of taxation. The selected Universities are to ensure the expansion of master's degree curriculum of their benefiting courses in Finance, Accounting, Economics and Law to include specialized tax courses in the taxation of the following sectors:

- a. Communication;
- b. Energy and Power; and
- c. Oil and Gas

The duration of each Chair is five years within which the Professor is expected to produce five MSc students per session over two academic sessions and at least three PhD graduates for the five year duration. The universities that are the initial institutional beneficiaries of the FIRS Professional Chair scheme include the following:

1. Ahmadu Bello University, Zaria;
2. Obafemi Awolowo University, Ile Ife;
3. Adamawa State University, Mubi;
4. University of Maiduguri, Maiduguri;
5. University of Nigeria, Nsuka;
6. Lagos State University, Lagos;
7. University of Ilorin, Ilorin;
8. Usman Dan Fodio University, Sokoto;
9. University of Benin, Benin;
10. River State University of Science and Technology, Port Harcourt;
11. Anambra State University, Uli;

12. Kogi State University, Anyigba; and
13. University of Abuja, Abuja.

The curriculum has been developed by the National Universities Commission in collaboration with the Service and the selected universities are in the process of domesticating the curriculum and also engaging professors for the chairs.

Code of Ethics

In view of the new reform agenda and in pursuant of its drive for good reputation, honesty and integrity, the FIRS set out a Code of Ethics policy. The policy provides ethical guidelines by which practitioners can judge and be judged. It is meant to be a companion for practicing tax administrators as well as the informed public (internal and external). The policy is hinged on the vision, mission and core values of the Service. The policy document is summarized into three chapters.

Chapter One

The chapter contains the introduction which explains the need for a document that provides ethical guidelines by which practitioners can judge and be judged. Generally, taxation and revenue management in the present day faces an increasing need for critical repositioning especially towards professionalism, integrity, and efficiency. To attain this reputation and warrant the trust of stakeholders, all staffs are expected to comply with the principles established by the Code of Ethics.

Chapter Two

Chapter Two bothers on issues of administration (i.e. distribution of the code of ethics), compliance with the Code of Ethics and responsibilities of the employee.

- a. The management of the FIRS is responsible for setting the standards of business conduct contained in the Code of Ethics and for updating these standards as it deems appropriate to reflect changes in the Service. It is the responsibility of each staff to comply with the Code. A staff who is uncertain about the interpretation and/or application of the Code is required to consult with the Human Capital Management Department for advise.

- b. All existing employees are entitled to personally receive and acknowledge receipt of the Code of Ethics document. New employees are required to sign an acknowledgement form upon receipt of the document during their induction. However, all employees shall be notified immediately if any change is made to the document.
- c. Every employee is expected to maintain and uphold the integrity of the Service. An employee has a duty to promptly and accurately report violations of any provisions of the Code of Ethics, and to the fullest extent possible, such report shall be treated as confidential. Staff shall at all times be familiar with, understand and act in accordance with the policy and all other approved policies and procedures of the Service.

Chapter Three

This chapter is sub-divided into five parts with parts one and five being further sub divided into seven and three parts respectively. Overall, the chapter contains the following provisions:

- a. A conflict of interest is deemed to have occurred when an officer's private interest conflicts with his/her duties and professional responsibilities. A public officer shall therefore not put himself/herself in a position where his personal interest conflicts with his/her duties and responsibilities.
- b. An officer shall not engage in any outside employment or private business activity that may give rise to a real or apparent conflict of interest except as allowed elsewhere in the Code of Ethics or by special permission from the Board. Outside business activities considered to conflict with official duties when performed for a fee or other forms of considerations include but are not limited to the following:
 - i. Performing professional tax services involving tax administered by FIRS;
 - ii. Appearing on behalf of any taxpayer as an attorney, agent or representative before any Government agency, or court of law;
 - iii. Engaging in accounting, or the use, analysis and interpretation of financial records when such activity involves tax administered by FIRS;
 - iv. Engaging in book-keeping, the recording of transactions, or the record-making phase of accounting, when such activity is directly related to tax determination;

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- v. Preparing tax returns, or furnishing advice or assistance in the preparation of tax returns.
 - c. Activities such as membership of professional or union organization, participation and/or management in civic, scout, religious, educational, fraternal, social, community, veteran, political bodies, acting as an administrator, executor, or guardian for a relative or friend, preparing tax returns, or furnishing advice or assistance in the preparation of tax returns where there is no fee or other considerations do not represent a conflict of interest. However, an officer must duly inform the Management of the Service through the Human Capital Management Department before entering into any outside employment or business activity that does not clearly fall within the aforementioned.
 - d. Officers are to maintain the oath of secrecy on confidential information gained in the Service even after retirement. They shall not participate in any matter in which they have a financial interest as well as any matter concerning any person or entity that might impair or give the appearance of impairing their impartiality. All employees of the Service must disclose their spouse, children and dependant relatives to the Human Capital Management Department.
 - e. Employees should constantly seek to avoid solicitations for money, consideration, or anything of value in return for acts or omissions involving their official functions. Any attempt to bribe a staff should be reported immediately to the Management and the employee involved shall cooperate in any ensuing investigation.
 - f. Officers may not recommend or suggest anyone or the services of any firm either specifically or by implication in connection with any official business that involves or may involve the FIRS. They shall not show preferential treatment/attitude to any person, group or entity by way of word or action in the performance of their official duties.
 - g. An employee is prohibited from partisan politics. This implies that officers are not to be actively involved in any form of politics while still employed in the Service. Officers shall not be candidates for full time federal, state or local government office while in active employment and shall not campaign in any form during normal work hours.

- h. Officers shall report any threat, intimidation, assault, or forcible interference made against him/her or family during the course of performing their official duties to either the Head of Department, Group or Office of the Executive Chairman.
- i. All information and documentation received by the FIRS is confidential information, prohibited by law from disclosure. FIRS officers who disclose confidential information may be subjected to disciplinary action; civil and/or criminal liability. An officer shall however, discuss the facts with his/her Head of Department or Director when the need arises.
- j. Officers shall not solicit or canvas within FIRS for the sale of any goods, services or other personal business. Officers are not allowed to post or distribute advertising material for personal gains.
- k. Staffs shall not discriminate or be discriminated on the basis of sexual orientation, present or past history of mental disability, mental retardation or physical disability, including but not limited to blindness, criminal record, HIV/AIDS amongst other except they are medically certified to constitute a health hazard.
- l. Employees are encouraged to publish articles in professional and scholarly journals. However, all legal, accounting, tax or tax administration related publications must bear a caveat. An officer is obligated to report any noticeable security lapse within FIRS premises.
- m. Management of FIRS adopts the provisions of the SERVICOM work ethics as part of the FIRS Code of Ethics in all intents and purposes. Any officer who gives privileged information to a taxpayer or outsider after receiving any gratification as an inducement that may lead to reduction of tax obligation shall be guilty of corrupt practices.
- n. All non security documents should only be found with officers whose schedule of duties has relevance with them. All external documents and materials must be in custody of the scheduled officers. However, no FIRS officer shall be found in possession of other organization's materials (e.g. rubber stamps and letter heads) during office hours or in the office premises.

The following documents and materials (used and unused) must not be found in the custody of any staff other than those who have official authority to keep them:

- a. Education Tax Receipt;
- b. Flow line Receipt;
- c. Income Tax Receipts;
- d. Petroleum Profit Tax Receipt;
- e. Receipt Book Issue Note;
- f. Stamp Duty Receipt;
- g. Tax Clearance Certificate (TCC);
- h. Treasury Receipt (6A);
- i. Value Added Tax (VAT) Receipts;
- j. VAT certificate;
- k. Withholding Tax credit notes;
- l. Withholding Tax Receipts.

In summary, the Code of Ethics is not intended to supersede any law of the Federation. Therefore, where this code of ethics is in contravention with the constitution or any relevant legislation, the provisions of the legislation shall prevail.

Human Resource Policies and Processes

The Human Resource Policies and Procedures (otherwise called the HRPP) is intended to assist all employees understand the general policy thrust of the Service towards the staff. The policy document incorporates the terms and conditions of service and the rules and regulations governing their employment. The HRPP is captured in eight sub-policies thus:

- a. Recruitment Policies and Procedures;
- b. Policies on Discipline and Manner of Handling Disciplinary Cases;
- c. Training Policy;
- d. Compensation and Benefits Policy and Administration;
- e. Loans and Advances;
- f. Leave Policy;

- g. Staff Exit Benefits;
- h. General policies.

Recruitment Policy and Processes

Staffs shall be recruited on the basis of merit through competition, depending on vacancies and consistency with the federal character principle of the Nigerian Constitution. Such employment shall be on a permanent basis. However, the Service may employ persons on contract basis for a specified term in some exceptional cases.

In the event of any vacancy, consideration shall first be given to existing qualified staff before considering external candidates. Staffs shall devote their time, energy and ability to further the interest of the Service and refrain from utterances, actions and occupations likely to be detrimental to, or conflict with the code of ethics of the organization. Employees in the diaspora shall be entitled to all the benefits enjoyed by the staff of the Service.

Performance Management

A performance system is faithfully executed periodically (annually and quarterly) using multiple appraisals for the purpose of objectivity. The annual appraisal is used for promotion and salary increment while the quarterly appraisal is used for on-the-job performance measurement. Awards and rewards/recognition is given to individuals, groups and offices/units as may be applicable. Awards are based on exemplary behaviour, gallantry etc while reward/recognition is tied to performance on the job, either by the individual or group of individuals.

Promotion

Promotion is based on merit (qualification and experience) and performance, derived through appraisal. Seniority would not be a major consideration for promotion but could count as a decider in cases of limited vacancies. Officers seeking promotion must have spent a minimum of two years on a salary level in addition to being confirmed and passing relevant exams/learning process as prescribed. A staff may be promoted only if he/she meets conditions set for advertised vacancies notwithstanding the maturity period. The decision of the Board is final on promotion matters it is not be subject to appeal.

Policies on Discipline and Manner of Handling Disciplinary Cases

The Service strives to ensure fairness in the administration of disciplinary cases. Disciplinary processes exist side by side with reward and recognition. Disciplinary are prompt and commensurate with the offence committed. The processes are administered by the staff committee that handles recruitment and promotion. Disciplinary cases may be classified under inefficiency, violations, misconduct and misdemeanor.

General Inefficiency

A series of omissions or incompetence which shows that an employee is not capable of discharging the duties of the office he/she holds efficiently.

Misconduct

Some of the acts termed as misconducts include:

- a. Scandalous behaviour (foul language, drunkenness);
- b. Deliberate delay in treating official document;
- c. Refusal to proceed on transfer or to accept posting;
- d. Discourteous behaviour to the public;
- e. Refusal to take/carry out lawful instruction from superior officers;
- f. Improper dressing while on duty;

Serious Misconduct includes:

- a. Absence from duty without leave;
- b. Engaging in partisan political activities;
- c. Sexual harassment;
- d. Unauthorized disclosure of official information;
- e. Advance fee fraud (criminal code 419).

By the nature of its mandate, certain violations of the ethical code are peculiar to the FIRS. Some of the violations peculiar to the Service include:

- a. Touting (use of middleman);
- b. Under assessment of taxes for a fee;
- c. Initial over assessment of taxes.

An employee has the right to appeal through his immediate supervisor or his head of department/regional coordinator where he/she is dissatisfied with a decision of a disciplinary committee.

Training Policy

Training and development shall be cost-effective by maximizing the coverage of staff per unit of training cost. Training faculty resources shall also be drawn from among members of staff, based on experience, flair and organisational responsibility requirements. All training duration in excess of five days shall be examinable except at the discretion of the ECFIRS or where the Learning and Development Department recommends and secures approval to the contrary.

An officer has two chances to pass the course for a prescribed examination. A re-sit arises where a candidate fails between one and three or 30% of the subjects required. Candidates for re-sit are eligible to repeat the examinations on the subjects they fail anytime the course is being re-run. All training outside the country must be approved by the Executive Chairman.

Compensation and Benefits Policy and Administration

Since the acquisition of autonomy in 2007, the Service strives to maintain a salary and reward system that is comparable with what is obtainable in similar sectors of the economy. Salary and wages are paid on or before 25th of each month. On reaching the maximum salary in on a grade, an employee remains on the salary scale until he is promoted to a position on a higher grade.

Loans and Advances

Loans and advances may be granted to employees at the discretion of the Board and may be withdrawn at anytime without notice. However, employees whose appointments have not been confirmed are not qualified to apply for loans and advances. The total deductions of loans and advances must not exceed one third (1/3) of the gross monthly emoluments. The Service may grant one month salary advance to a new employee upon assumption of duty or to other existing member of staff upon request.

Leave Policy

All employees are entitled to annual leave and allowances except where the leave is deferred in the interest of the Service. Annual leave when approved becomes compulsory. The Board does not allow employee to postpone or accumulate their leave. No employee is allowed to take a working leave. Newly employed staff members who have served six months and above are entitled to annual leave on pro-rata basis. Study leave with pay may be granted to a confirmed member of staff who has put in three years of continuous service at the discretion of Management. Study leave without pay may be granted at the discretion of Management to a confirmed staff with at least two years service for a course relevant to the Service.

Staff Exit Benefits

Staff who have worked for the Service whether on permanent, contract or appointment shall be entitled to terminal benefits. An employee shall retire from the Service on attaining the age of 60 years or having spent 35 years in service, whichever is earlier. The family of a deceased staff is entitled to burial expenses ranging from 500, 000 naira to 2.6 million naira depending on the salary grade level of the deceased staff.

General Policies

General policies bother on issues of internship and the National Youth Service Corps scheme. Where any matter is not provided for in the HRPP document, recourse shall be made to the provisions of the Public Service Rules in respect to such matter. Where the matter is of relevance, it shall be referred to the Board for a final decision.

Scheme of Service

The Scheme of Service contains the jobs within the Service defined along clear career paths. Co-coordinating Directors are appointed by the Board on the recommendation of the Executive Chairman on a tenured position of three years renewable for a single term. There are five groups in the Service each headed by a Coordinating Director. The groups are:

- a. Tax Operations Group;
- b. Support Services Group;
- c. Compliance and Enforcement Group;
- d. Corporate Development Group;
- e. Chairman's Office Group.

Every staff of the Service is employed into, and progresses along one of six career paths. The six career paths in the Service are:

- a. Tax;
- b. General Administration;
- c. Human Resource;
- d. Finance;
- e. Legal;
- f. Information Technology.

A general principle underlying the scheme of service is that the career of a staff begins as an officer cadre and ends at the director level.

Circulars

Circulars are instruments used to pass on information. They are usually printed and sent to a large number of people. The use of circulars to communicate information to both internal and external stakeholders has a long history and tradition in the Service. The Service has continually issued circulars to furnish the public, taxpayers and their agents, as well as tax officials and practitioners with clarifications on controversial topics and subject matters.

The circulars are mostly issued after interaction with taxpayers, tax campaigns, town hall meetings, and sensitization rallies. Circulars issued by the Service include, but are not limited to:

- a. **Assessment Procedure:** An information circular issued in February, 2006 to give a guide to all revenue staff, taxpayers, tax practitioners and the general public on the various types of assessment and their modalities as well as the importance of the Integrated Tax Administration System (ITAS).
- b. **Collection Procedure:** Issued on 25 March 1993, this circular amends earlier circulars on a similar subject.¹⁷ It provides guides on collection/remittance procedures for the general information of all staff, tax payers, tax practitioners and tax payers' representatives.
- c. **Detailed List of Items Exempted from Value Added Tax:** Dated December 1st, 1995 with circular No. 9503, the circular is issued for the information of the general public and in particular, all VAT payers, officials of banks and other financial institutions as well as the staff of the FIRS.
- d. **Detailed List of Items Exempted from Value Added Tax:** Circular No. 9701 with date of first review as January, 1st 1997, the circular is issued to update the earlier FIRS information circular No. 9401 of 1st March, 1994. The circular gives a detailed list of items exempted from VAT as amended.
- e. **Explanatory Notes on the Application of Withholding Tax Provisions to Contracts and Agency Arrangement:** Dated October 1st, 1998. Circular No. 9801 seeks to clarify the controversy generated by the schedule to the Companies Income Tax [Rate, etc, of Tax Deducted at Sources (Withholding Tax)] Regulations (S.1 10 of 1997) published as supplement to the Official Gazette Extra-Ordinary No.47, Vol.84, of 12th August, 1997-Part B.
- f. **Further Explanatory Comments on Withholding Tax Principle and Operation:** Published in February, 2006 this circular is issued as a guide to all officers of the FIRS, consultants and taxpayers to draw attention to the duties and responsibilities imposed on them by the tax statutes. It also aims at correcting and clarifying any

ambiguity and misinterpretation that may have been created in previous circulars released by the FIRS on the subject of withholding taxes.

FIRS policies are designed to prevent arbitrariness by providing a plank or guideline for every action. In addition to the above policies, other areas where policies are in the works at different stages of development include:

- a. Corporate Social Responsibility;
- b. Sexual Harassment;
- c. Document Management Guideline for Protecting and Accessing Records.

The policies are subject to review as circumstances and realities of the time may dictate. Overall however, the Service strives to be at the level where there will be predictability and consistency in outcomes because all actions and procedures will be anchored on a defined and articulated policy plan.

References

- 1 Hirst, Paul, "Democracy and Governance" in Pierre, Jon (ed.), *Debating Governance: Authority, Steering, and Democracy* Oxford University Press, 2000.
- 2 Ibid section 1 (2) (a)-(i).
- 3 Ibid, section 3 (5).
- 4 Ibid, section 2 (1).
- 5 Ibid, section 4(1).
- 6 Ibid, section 7.
- 7 Section 1 (2) FIRSEA.
- 8 Ibid, section 7.
- 9 Section 5, Second Schedule, FIRSEA.
- 10 Section 6, Ibid.
- 11 See paragraph 7.1.6, Draft Board Charter.
- 12 Paragraph 7.2.1, Ibid.
- 13 Paragraph 3.3.2. *ibid*.
- 14 Paragraph 3.4.2., *ibid*.
- 15 Board Committees are creations of the Board. Pursuant to the provisions of section 8, Second Schedule, FIRSEA, such Committees are appointed to facilitate efficient decision making and to assist the Board in the execution of its duties, powers, functions and authorities.
- 16 Section 63 contains transitional provisions relating to staff of the Service who hitherto the passage of the Act were employees of the Federal Civil Service Commission.
- 17 Numbers: IR.5852/CNol.1/183 of 13/2/1992 and IRC/1019/239 of 30/6/1992.

CHAPTER TWENTY

INTERNAL AFFAIRS

Background

Prior to 2004, issues bothering on internal affairs were handled by the Human Resources Department. In October, 2004, the new FIRS reform organogram was unveiled leading to the establishment of the Quality Assurance/Change Process Coordination Division (QA/CPC). The birth of this division marked the starting point of the evolution of what is today known as the Internal Affairs Department. The division (QA/CPC) started with three senior staff (1 Chief Inspector of Tax, 1 Assistant Chief Inspector of Tax and 1 Senior Inspector of Tax), a secretary and a cleaner.¹ The division had four operational units. An external consultant was hired to help in matters of donor agency liaison. The division was able to obtain the first seed money for critical projects like the integrated HR system and Regional Studies/Taxpayers Database. The IMF mission reports advice that ‘business-as-usual’ issues should be separated from pure modernisation issues with a prescribed governance structure. Hence, the Modernisation and Planning Reporting and Statistics departments were later carved out from the division. The Service Compact (with Nigerians) was introduced into the Service in late 2005 and put under the division due to similarities of functions. The Head QA/CPC also doubled as the pioneer nodal officer for the Service.²

Internal Affairs Restructuring

The major change in the division took effect from 1 June, 2007 when Quality Assurance, Internal Audit and Stock Verification units were merged to form the Internal Affairs Department (IAD) reporting directly to the Executive Chairman FIRS. SERVICOM was moved out from IAD with effect from 1 July, 2008 and merged with Taxpayers’ Services (TPS) as a unit of the Corporate Communications Department (CCD). Currently, the Internal Affairs Department has three main units which include:

- a. Internal Audit;
- b. Value for Money Audit; and
- c. Quality Assurance.

The department has several sub-units. Key among them is the newly created Information Technology/Internal Security Audit Unit (IT/IS) which focuses on the audit of ICT infrastructure and IT enabled processes such as web portal, Pay-direct and server/database. There is also the Final Accounts sub-unit which interfaces with the Finance and Accounts Department in matters of monthly and quarterly management accounts and annual final accounts before statutory audit is carried out by external auditors.

The major role of the Internal Affairs Department is to bring about the culture of best practices and quality service delivery in the entire Service while acting as the custodian of all internal control processes, so as to ensure excellence in service delivery. Some of the other roles of the department include:

- a. Liaising with the Board Secretariat to ensure that the Audit Policy is synchronized with the Corporate Policy;
- b. Serving as a watchdog in the implementation of the financial provisions enumerated under the relevant sections of the FIRSEA, 2007;
- c. Ensuring that there is value for money in all FIRS procurements;
- d. Ensuring that all taxes collected are receipted, recorded and paid promptly to the designated government accounts in the CBN;
- e. Ensuring that the Pay-direct system (PFACT) is working well and loopholes are detected and blocked quickly;
- f. Ensuring that all FIRS monies from all sources are accurately and completely accounted for;
- g. Acting as internal consultant on quality management and change in processes and procedures in a proactive manner;
- h. Identifying areas that need improvement and paving way for continuous improvement in the service delivery process.

Internal Affairs Audit Charter

The charter is applicable to all internal audits in FIRS. It is a description of Internal Affairs Department functions. It emphasizes the roles and responsibilities of internal affairs functions in order to assist FIRS in achieving its mission and vision. The charter establishes the purpose, authority, and responsibility of the Internal Affairs Department. It defines the scope of internal audit activities, establishes the position of the department (IAD) within the Service regarding independence, responsibilities and authority. It authorizes the department to access records, physical property and personnel. The charter is intended to be consistent with the Institute of Internal Auditors (IIA) Standards³ and should be interpreted in a manner consistent with those standards. However, any provisions of the standards inconsistent with the Constitution of the Federal Republic of Nigeria and any other statute, legislation and/or rules shall be void to the extent of those inconsistencies. IIA Standards not directly incorporated into the charter shall nonetheless be fully and appropriately applicable to the Service's Internal Affairs Department.

FIRS Quality Policy

The Management approved an FIRS Quality Policy which states that "FIRS Management is committed to rendering of quality service to its stakeholders and ensuring efficient tax administration in line with relevant legislations, as well as making provision for continual improvement."⁴ The policy therefore encapsulates the three essential elements of a Quality Management System which include commitment, consistency with extant laws and continual improvement. The objective is to "partner with stakeholders in order to ensure quality tax service delivery for national development."⁵

Internal Affairs Policies and Procedures

The manual contains policies and procedures for standards and expectations for the Internal Affairs Department which are intended to continually evolve as the department moves forward to continuously improve performance in accordance with the international standards for the professional practice of internal auditing as promulgated by the Institute of Internal Auditors. The policies and procedures are not intended to be "all inclusive" and are not meant to change or replace FIRS policies or job descriptions as published. The policies and procedures may not directly apply in all types of circumstances, and the department has the

prerogative to interpret and apply the policies and procedures as appropriate and warranted to any specific situation.⁶ The internal affairs policies shall be taken point by policy point and the procedure for each policy outlined.

The Role of the Director IAD

Policy Statement: The Director has overall responsibility to develop and execute annual audit plans that address key risks to the FIRS.

Procedures

- a. Implement the department's charter, policies and procedures as well as IIA standards;
- b. Ensure all auditable entities are identified, risk assessed and audited as deemed necessary;
- c. Ensure proper levels of resources are employed to perform planned audits;
- d. Ensure productive use of audit resources and careful control over costs;
- e. Establish and maintain universally high quality standards in the department;
- f. Manage human resource issues that arise and develop within the department;
- g. Act as contact point for senior management, the audit committee, external auditors and external regulators.

Project Involvement

Policy Statement: The Director should maintain an appropriate balance of involvement with the day to day auditing activities.

Procedures

- a. The director shall send out surveys to key Management personnel on the same day that each final audit report is issued.
- b. The director shall review the quality control checklist (to be developed) throughout the course of each engagement, the draft reports prior to formal dissemination to management and the work papers before the final issuance of reports

Risk Assessment

Policy Statement: A risk assessment should be performed annually for the auditable entities in the audit universe. The risk assessment provides the basis from which the annual audit plan is developed.

Procedures

- a. Each auditable entity shall be assessed for risk in relation and relative to the FIRS, and not in relation to each respective segment individually;
- b. Each key risk indicator shall be analysed from its respective subset of risk factors, and assessed in relation to potential significance and probability;
- c. The Director shall provide the external auditors with a copy of annual audit plan for feedback in advance of finalizing the audit plan presentation materials.

Prioritization of Audit Activities

Policy Statement: The prioritization of all audit activities should be driven, in general by relative risk. The director ultimately determines the prioritization of audit activities.

Procedures

A revision to the risk assessment of any auditable entity may also be made from improved knowledge of the related area, or even a correction of an error contained within the risk assessment.

Planning (Preliminary Work)

Policy Statement: Planning is required for all engagements, and has a direct impact on the quality of work.

Procedures

Audit procedures are developed and placed into the work programme, where specific audit procedures scopes are also detailed, based on the risk and cost/benefit of accumulating audit evidence.

Engagement Memo

Policy Statement: Management should receive adequate advance notification of audits and projects.

Procedures

The officer in-charge shall draft an engagement memo as soon as the timing of the engagement has been confirmed with senior Management over the auditable entity or entities.

Specific Risk Assessment

Policy Statement: A specific risk assessment (SRA) should be conducted and documented to identify key risks, key controls, and control gaps related to the auditable entity or entities covered in each engagement.

Procedures

- a. The SRA shall not be confined to functions performed within one department.
- b. All relevant interrelated functions with respect to the auditable entity or entities shall be included in the SRA.

Testing Controls

Policy Statement: The results of the SRA should yield a work programme that is balanced between risk and cost of gathering audit evidence.

Procedures

- a. Tests of control shall be performed to determine whether or not expected internal controls identified during the SRA process are actually in place and operating effectively.
- b. The decision of which test(s) to employ shall be based on the relative risk of each process, the availability of evidence, and the cost/benefit of performing the related audit procedures.

Documentation

Policy Statement: Information contained in the audit work papers constitutes the principal record of the work performed and conclusions reached.

Procedures

- a. An adequate amount of documentation shall exist on work papers so as to allow for easy and efficient re-performance.
- b. Sources of all information include where items were selected from exact names of reports, frequency of generation and custodian and shall be documented on a work paper.

Sampling

Policy Statement: Sampling shall be used to improve the efficiency of audit work through the use of standardized techniques that are compliant with prescribed auditing standards.

Procedures

Sampling shall be used whenever it is more practical than taking a census of a population of data.

Review Process

Policy Statement: Work papers shall be reviewed to ensure that all audit work has been adequately performed and that the results are consistent with the conclusions to be presented in the report.

Procedures

- a. All audit work should be reviewed including that of the director
- b. There shall be “hands-on” supervision including discussion of audit objectives and perceived risks with staff members before testing.
- c. All reviewed notes must be answered in a timely manner with necessary fixes in the work papers and appropriate comments in the review note.

- d. All review notes should be removed from the work papers at the end of the audit, and only upon approval from the director.

Evaluation

Policy Statement: All identified issues shall be properly and concisely, yet clearly, documented in the work papers.

Procedures

Identified exceptions shall be evaluated and the nature of exceptions or variances noted assessed and concluded.

Privileged and Confidential Issues

Policy Statement: Issues relating to potentially significant violations of the law shall be communicated in a way to fairly protect the Service's ability to take corrective action while minimizing penalties and unnecessary public exposure.

Procedures

Issues of potentially significant legal or regulatory impact shall be discussed verbally, either in person, over the phone, or with voice-mails.

Reporting

Policy Statement: Communicating audit results is an integral part of a successful audit. This communication is typically in form of a written report to the Management at the end of each audit.

Procedures

- a. Formally communicate issues identified by the department and recommendations for the actions required by the Management to mitigate risks;
- b. Formally communicate the overall conclusion about the internal control structure over the related auditable entity or entities;
- c. Serve as a record of Management's response to the recommendations.

Follow Up

Policy Statement: The department is responsible for follow-up with Management to monitor and ensure responses reported are implemented and determine when issues may be closed from further monitoring.

Procedures

- a. Reported issues should be entered into the follow-up database by the officer in charge;
- b. Follow up procedures to be employed to determine adequacy of Management actions should be included with each issue;
- c. The follow-up procedures should be reviewed by the manager and director.

External Auditors

Policy Statement: Coordination with external audit activities is to be accomplished to minimize duplication of efforts and maximization of audit effectiveness.

Procedures

- a. The department shall maintain a close relationship with external auditors, keep them informed of the department's activities and results, and allow them access to audit reports and supporting documentation;
- b. Advise external auditors if an audit gives rise to findings of a significant nature.

Quality Assurance

Policy Statement: Quality assurance reviews are crucial for maintaining the quality and objectivity expected of the department.

Procedures

- a. The Quality Assurance Unit of the department is driven by adherence to policies and processes of the department as well as IIA standards;

- b. While the quality programme assessment (of the IIA) is an additional control measure, the department should rely on built-in quality programme for achieving high quality performance;
- c. The department should internally assess the quality of each key component of its quality programme at least once a year;
- d. The department should engage a qualified third party to perform quality programme assessment at least once every five years;
- e. Results of both internal and external quality programme assessments should be presented to the ECFIRS and summarized for review by the Audit Committee.

Audit Activities

Policy Statement: All work performed should be tracked

Procedures

- a. The department maintains a list of all engagements performed, along with the date of related reports. The list should be updated at the conclusion of each engagement;
- b. Electronic files for engagement memos and final reports, along with survey memos and related documents should be saved.

Records Retention

Policy Statement: The department should retain all audit documents in a manner consistent with the best available guidance.

Procedures

- a. Documents should be maintained in a controlled, orderly fashion that permits prompt access;
- b. The retention period is seven years for all audit documents.

The foregoing is not an exhaustive catalogue of all internal policies and processes of the Internal Affairs Department. They are key highlights aimed at buttressing the functions for which the department is responsible as part of the overall process to ensure that the internal

workings of the Service are consistent with global best quality assurance methods and procedures. The three units in the Internal Affairs Department all work to attain synergy in ensuring the Service delivers word class service within budgetary and time allocations. This desire led to the introduction of Total Quality Management (TQM) which is “a pragmatic approach that seeks to continually improve the quality of goods and services delivered to customers.”⁷ The key elements of TQM include:⁸

- a. Leadership
- b. Teamwork
- c. Training
- d. Communication
- e. Feedback
- f. Integrity
- g. Trust
- h. Ethics
- i. Attitudinal change
- j. Reward and recognition
- k. The successful implementation of TQM involves adherence to a four-step quality management cycle which includes:⁹
 - l. Planning
 - m. Implementation
 - n. Checking
 - o. Acting

While the key elements and principles of TQM are visible in most functional areas in FIRS, they have not yet been fully galvanized into a conscious management philosophy in the attainment of set goals and objectives.¹⁰ It is therefore, evident that a paradigm shift is required to build synergy among all functions and processes towards the enthronement of the philosophy that “the taxpayer is king”. Second, and as a corollary to the introduction of

a TQM, the IAD has also introduced a Quality Management System, QMS, to provide a framework that affords necessary controls to address risks, monitors and measures performance in the Service. A QMS is “a system put in place by an organization to reduce and eventually eliminate nonconformance to specifications, standards, and customer expectations in the most cost effective and efficient manner.”¹¹ The objectives of a QMS are:¹²

- a. To prescribe standards to be met for quality service delivery;
- b. To flag up areas of deviations against standards to avoid system breakdown;
- c. To ensure that processes and procedures are met;
- d. To prepare the organization towards certification in quality management;
- e. To ensure best practice through continual improvement.

The benefits of a Quality Management System based organization include:

- a. Better understanding of what customer and stakeholder requirements are so as to meet those requirements;
- b. Reduction in waste, cost of corrective actions, complaints and damages;
- c. Transparency in organisational operations;
- d. Creation of awareness among staff to ensure their commitment, understanding and loyalty to organisational goals;
- e. Promotion of harmony, teamwork and collective responsibility;
- f. Identification of areas of weakness and strength;
- g. Provision of room for measurement of performance;
- h. Promotion of public confidence in the organisational brand name;
- i. Conferment of global recognition;

- j. Provision of better mechanism for flow of information and feedback.

The Service has applied to the Standards Organization of Nigeria, SON, for certification of its services. The institutionalization of a QMS is a sine qua non for the conferment of certification by the SON which is an affiliate of the International Standards Organization, ISO. In effect, therefore, the SON certification will confer global recognition on the FIRS brand as an ISO certified organization. The Internal Affairs Department has, since late 2010, embarked on sensitization and enlightenment campaigns among all departments of the FIRS to educate staff on the benefits of the process and ensure their buy-in. The target set by the Internal Affairs Department is to acquire the ISO certification by December 2011. All the policies and procedures put in place by the department to ensure the best possible standards are maintained by all departments and units of the Service will be put to test by the certification visitation team.

While it is the hope of the Service to pass the test when it comes, the point needs to be made that the certification is not a once and for all rating. A certified organization must continue to improve and maintain best standards in order not to forfeit its certification. An ISO certification will be an attestation to the potency of the reforms in the Service but beyond that, it will also be a litmus test for the Service to continually aspire to do better in the area of service delivery to ensure that the rating is maintained.

References

- 1 Amahwe, A. S. C., “Internal Affairs: Policies and Procedures,” being a submission made to the Reforms Documentation Project Team.
- 2 Ibid.
- 3 The IIA is internationally recognised as the single authoritative body that promulgates the International Standards for the Professional Practice of Internal Auditing (“IIA Standards”).
- 4 FIRS Quality Policy.
- 5 Ibid.
- 6 Amawhe A.S.C, op. cit.
- 7 “Total Quality Management (TQM)” being submission by the Quality Assurance Unit of the Internal Affairs Department to the Reforms Documentation Project Team.
- 8 Ibid.
- 9 Ibid.
- 10 Ibid.
- 11 “Quality Assurance” being submission made by the Quality Assurance Unit of the Internal Affairs Department to the Reforms Documentation Project Team.
- 12 Ibid.

CHAPTER TWENTY ONE

CORPORATE SOCIAL RESPONSIBILITY

Background

Articulating and practicing Corporate Social Responsibility has become one of the ways by which corporate bodies can best live up to expectations as global, national and local citizens. Richard Holmes and Phil Watts in their report, ‘Corporate Social Responsibility: Making Good Business Sense’¹ published by the World Business Council for Sustainable Development, defines Corporate Social Responsibility (CSR) as “the continuing commitment by business to behave ethically and contribute to economic development while improving the quality of life of the workforce and their families as well as of the local community and society at large.”

Holmes and Watts recognise that there are different emphases on what constitutes CSR in different parts of the world and in different corporations or institutions. To draw a few instances, in Taiwan, CSR emphasises “the contribution of the development of natural and human capital, in addition to just making profit,” while in Ghana, CSR is captured as one that is “about capacity building for sustainable livelihoods. It respects cultural differences and finds the business opportunities in building the skills of employees, the community and the government.”²

Based on their research, Holmes and Watts conclude that, in spite of the differences in what is emphasised, everywhere, every coherent CSR is “based on integrity, sound values and a long-term approach, offers clear business benefits to companies and a positive contribution to the well-being of society;... provides the opportunity to demonstrate the human face of business;...requires engagement in open dialogue and constructive partnerships;... recognise[s] and respect[s] local and cultural differences, whilst maintaining high and consistent global standards and policies....”³

Against this backdrop, Corporate Social Responsibility, CSR, is a form of corporate self-regulation integrated into a business model. CSR policy functions as a built-in, self-regulating mechanism that monitors business objectives and ensures those objectives are consistent with the spirit of the law, ethical standards, and international norms. The goal of CSR is to embrace responsibility for the company's actions and encourage a positive impact through its activities on the environment, consumers, employees, communities, stakeholders and all other members of the public sphere. The corporate organisation needs the acceptance of its stakeholders to operate optimally. If the organisation and its stakeholders, including its employees and the host community are not in good terms, the growth of the organisation will be retarded. Through the CSR concept, an organisation and its stakeholders benefit mutually from each other.

To demonstrate the functions and objectives of CSR, the concept has also been variously described as Corporate Social Investment (CSI), Corporate Social Conscience (CSC), Corporate Citizenship (CC), Corporate Social Performance (CSP) or Sustainable Responsible Business (SRB). It has also been described as Corporate-Community Development Initiative (C-CDI);⁴ meaning that the idea for CSR is for the mutual benefit and development of the corporate organization, the host community and other stakeholders. The greatest advantage of the CSR concept is that the corporation secures the acceptance of its stakeholders.

The history of formalized Corporate Social Responsibility in Nigeria can be traced back to the CSR practices in the oil and gas sector where CSR activities are aimed at remedying the effects of mineral extraction activities on the local communities. Further, Nigeria has been party to several international human rights treaties and there are a number of national initiatives addressing corporate governance and environmental issues. Despite this, not many government agencies are involved in the practice of CSR at a systemic level. As a responsible and responsive corporate citizen, FIRS seeks to set the pace in the public sector at establishing mutually beneficial relationships with its stakeholders, both corporate and individual spread across Nigeria. The Service seeks to answer the following questions using the CSR strategy:⁵

- a. How do we grow the business of taxation in Nigeria through identifying with, and encouraging our stakeholders?
- b. How do we give back to the society (people) from where we have collected the revenue?

- c. How can we contribute to the overall development of the country?
- d. Who is the most appropriate person to benefit from our goodwill?
- e. What kind of gestures would benefit our stakeholders most?

The practice of CSR in the Federal Inland Revenue Service is an off-shoot of the 2004 reforms. There is paucity of information regarding the practice of CSR in the Federal Board of Inland Revenue, FBIR, prior to the reform era. The paucity of information itself indicates that even if the concept existed, it was not practiced in a deliberate, systematic manner. Since one of the cardinal objectives of the reforms was to engender voluntary compliance, the Management of the Federal Inland Revenue Service under the chairmanship of Ifueko Omoigui Okauru introduced the concept of CSR to ensure stakeholder confidence in the country's tax system. In order to ensure that CSR is not practiced in a vacuum within the Service, a draft policy that will serve as a plank for CSR activities has been submitted for Management's approval. While the draft policy awaits ratification by the Management, the performance of CSR as dictated by exigencies is currently under the guide of the Executive Chairman. The Chairman is so empowered under the combined provisions of sections 8 (1) (t), 11 (c) and 16 (i) of the Federal Inland Revenue Service (Establishment) Act 2007. Section 8 (1) (t) empowers the Service to "carry out such other activities as are necessary or expedient for the full discharge of all or any of the functions of the Service." Section 11 (c) provides that the Executive Chairman shall "be responsible for the execution of the policy and day-to-day administration of the affairs of the Service" while section 16 (i) empowers the Service to expend its funds on, among other things, "any other payment for anything incidental to the foregoing provisions or in connection with or incidental to any other function of the Service under or pursuant to this Act."

One major issue identified by the Management as deserving FIRS intervention by way of social responsibility is the improvement of standard and access to education in the country. The greater part of FIRS CSR is therefore channelled towards the improvement of the standard and accessibility of education in the country. The Service has contributed to the development of education by equipping schools' libraries, building school blocks, renovating schools' blocks in primary, secondary and tertiary institutions and encouraging qualitative education among Nigerian youths and children. Head, External Relations in the Protocol and Relationship Management Unit, Emmanuella Etete-Ita summarizes it thus:

Once it is an issue that concerns education, we are sure that the Chairman will approve it. She is very passionate about education. When there are CSR proposals on several issues and education is one of them, there is the likelihood that she will approve the one which involves education. That is how we have been doing it. But that does not mean that we concentrate only on education.⁶

The Service places high premium on its relationship with its stakeholders because of the roles stakeholders play in the business of taxation. As a result, the Chairman uses discretionary powers to approve CSR proposals that touch on the lives of the Service's stakeholders. Major FIRS stakeholders include, but are not limited to the National Assembly, financial institutions, Central Bank of Nigeria, taxpayers and all institutions represented on the FIRS Board as contained in Section 3 of the FIRS Establishment Act. Other stakeholders include members of the Executive Arm of Government like the President of the country, Governors of the 36 States of the Federation and Chairmen of local government councils. The FIRS envisions establishing and keeping mutual relationships with the stakeholders, through CSR functions, in the interest of the growth of tax administration in Nigeria. Responding to social needs in the society promotes citizens' awareness of tax issues and also secures cordial relationship between FIRS and its stakeholders. The FIRS is also passionate about giving back to the society through demonstration of compassion to victims of tragedies and unfortunate circumstances. The Service demonstrates this compassion through visits to hospitals, motherless babies' homes, leprosy centers etc. Visits to these places were carried out by the Service on February 14, 2011 to mark the celebration of the Valentine's Day.

FIRS Sponsored CSR Projects

The beneficiaries of the Service's CSR gestures cut across private corporate organizations, individuals and government establishments. Altogether under the chairmanship of Omoigui Okauru, the Service has spent close to 240 million naira on CSR sponsorships. (See Table 21.1 in the appendix).

Although the absence of a standard policy guide on CSR has not affected the Service's involvement in social responsibility, the Service has recognised the need for a policy document that would lay down the guidelines and modalities for approving CSR projects and the specific objectives to be achieved by such a policy. This will not only provide the framework for more result oriented CSR activities, it will systemize the concept in the organisation.⁷

The document seeks to standardize CSR functions in the Service by providing answers to the following issues:

- a. Who should be the beneficiaries of FIRS' CSR?
- b. What should be the modalities for sponsoring CSR proposals?
- c. What kind of activities should come within the purview of CSR?

In an attempt to answer these questions the FIRS Draft Policy on CSR provides that social responsibility activities of the Service should be based on convenience, availability of funds, depth and levels of relationship between FIRS and prospective beneficiaries. Specifically the draft provides the following guidelines:

- a. The mission should be to promote and sustain in the minds of the recipient and others a positive public image of FIRS as a responsive and responsible organization.
- b. CSR shall be implicitly graded according to FIRS perception of the recipient's status and contribution to the development of the Service and the performance of its duties.
- c. Management would decide on the physical representation by FIRS staff at such occasions.
- d. Operation of the policy shall depend on the availability of funds, prevailing social and political situation of FIRS and the larger society.

In the execution of the provisions of the policy, the Service seeks to maintain certain ethical standards as follows:

- a. Contribute to economic, social and environmental progress with a view to achieving sustainable development.
- b. Respect the human rights of those affected by the Service's activities in line with the host government's international obligations and commitments.
- c. Abstain from inappropriate involvement in local activities.

- d. Develop and apply an effective self regulatory practice and management system that fosters a relationship of confidence and mutual trust between the Service and other players in the environment within which the Service operates.
- e. Encourage, where practicable, business partners, including suppliers and sub-contractors, to apply principles of corporate conduct compatible with these guidelines.

Institutions and individuals to which the draft policy seeks to cover in its application include:

- a. Stakeholders like National Assembly, MDA's, Ministries, Department and Agencies;
- b. Non Governmental Organizations;
- c. Educational Institutions;
- d. Health Sector agencies such as the National Action Committee on HIV/AIDS, etc.;
- e. Paramount or Traditional Rulers.

The Service's CSR practice has started attracting the attention of other key promoters of the CSR philosophy. This recognition has been manifested by the invitation of the Executive Chairman of the FIRS to be part of a CEO Roundtable at the African CEO Roundtable and Conference on Corporate Social Responsibility, AR-CSR, held in Lagos between 15 and 17 June 2011. The Chairman was invited to participated at the function by the organizers of the conference, ThistlePraxis Consulting Ltd.

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- 5 Eteta-Ita, Emmanuella, Oral Interview with Kelechi Okoronkwo on 22 April, 2011.
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CHAPTER TWENTY-TWO

AWARDS AND RECOGNITIONS

Background

Reward and recognition are some of the core principles of current international best management practice. Managers are constantly reminded that “great managers praise effort and reward results.”¹ Management thinkers have realized over time that remuneration by itself is not an adequate tool to motivate employees; there is always the need to reward and recognise outstanding performance by individuals and teams which not only has the direct effect of encouraging achievers to continue to strive for the attainment of organisational goals, it also has the effect of stimulating employees and teams which record sub-optimal performance to strive towards reaching and even surpassing set goals and objectives.

Reward and Recognition in FIRS

There was a Values and Doctrine Unit in the Chairman’s Office charged with the function of reward and recognition prior to the 2004 reforms. However, the now defunct unit had no defined reward and recognition policy or procedure. Under the current dispensation and as a consequence of the reforms, the Service now places more emphasis than ever on the need to recognise and reward excellence. As stipulated in paragraph 3.13 of the Human Resource Policies and Procedures of the Service, reward and recognition is an official policy of the Service.² The FIRS now offers awards of commendation to Integrated Tax Offices (ITOs), Large Tax Offices (LTOs), Departments and individual officers for their exceptional contributions to the advancement of the Service’s objectives and programmes. The awards are given to deserving LTOs, ITOs, Departments and officers at the end of every financial year to encourage and bolster result-oriented attitudes towards meeting the organisational objectives and aspirations of the FIRS. Such awards are given for outstanding achievement on the following basis:

- a. Exceeding tax collection targets;
- b. Display of outstanding behaviour at the work place, especially with respect to officers;
- c. Commendation for exceptional contributions by officers towards the attainment of ITOs, LTOs and Departments;
- d. Exceptional managerial abilities;
- e. Commendation for consistency in adhering to the dress code which is given to officers;
- f. Companies are rewarded for their tax compliance records;

In all, 14 categories of awards are given annually. These categories are as follows:

Chairman's Award

Nominees for this award are expected to have contributed at least 25 per cent of the overall tax collection performance in any given financial year, or must have saved at least twenty five per cent of the total overall FIRS expenditure budget. Nominations are made by all staff of the Service while eligible nominees are recommended by the Reward and Recognition Unit. The award consists of a plaque, monetary award of five hundred thousand naira, recognition at the Presidential and Ministerial levels and publication of the award in the FIRS Newsletter.³

Integrated Tax Office (ITO)/Stamp Duties Award

This is an award that is conferred on the three best ITOs nationwide annually. The criteria for this award includes collection performance, regularity and accuracy of monthly progress reports, the achievement of non-financial performance targets such as the registration of an average of two thousand taxpayers between January and September in a given financial year.⁴ Nominations for this award are made by Regional Coordinators and Directors after quantitative comparisons of performance of the various ITOs. The Reward and Recognition Unit recommends the deserving officer to the Management of the Service for approval.

Large Tax Office (LTO) Award

Only the Service's five Large Tax Offices are eligible for this category of awards. Deserving nominees for this award are evaluated based on tax collection performance, regularity and accuracy of monthly progress reports and the achievement of non-financial performance targets. The benefits of the award include the publication of the award in the FIRS Newsletter, letter of commendation to the office, as well as monetary awards. The Tax Controller of the winning LTO is nominated for an overseas training programme of at least two weeks duration.

Regional Office Award

Regional Offices which are eligible to win in this category are those which exceed performance targets such that at least 80 per cent of the offices within the region must have exceeded their collection targets. The name of the winner is published in the FIRS Newsletter and is issued a letter of commendation. The Regional Controller of the winning Regional Office is entitled to a monetary reward of N50, 000 while the other members of staff are entitled to monetary rewards of various sums.

Department/Division/Units Award

The Departments that qualify for nomination for this award must not only exceed collection targets but the performance of the department or unit must be greater than that of the previous year. There are three categories of beneficiaries for this award which include one department one unit and one sub-unit. Nominations for the award are made by the Executive Chairman based on the quantitative analysis of performance. Recipients receive monetary awards, while the Director of the winning Department is nominated for an overseas training programme of at least three weeks duration. Other directorate staff of the winning department, by virtue of winning this award are offered the opportunity of attending one local training in the year, but this is subject to cost limits of between N50,000 to N100,000, depending on the levels of the benefiting officers.

Employee of the Year (Field) Award

This award goes to 8 beneficiaries— seven officers from ITOs and one officer from an LTO. The criteria for being nominated for this award are:

- a. Exceptional performance at the unit level within the year relative to the performance targets set upfront;
- b. Demonstration of behaviour that represents the values of the FIRS in its full sense—Professionalism, Integrity, Efficiency, Ownership and Collective Responsibility;
- c. Resourcefulness; and
- d. Punctuality

The benefits of the award include cash rewards and recognition in the FIRS Newsletter.

Employee of the Year (Head Office) Award

This is an award which may be conferred on officers, managers and directorate staff. Nominees must display exceptional performance in aggregate at the unit level for a year. Benefits in this category include a plaque given to the winner, as well as a cash award and recognition in the FIRS Newsletter.

Best Managed Office of the Year Award

The best managed office is evaluated based on the following criteria:

- a. Service delivery;
- b. Human resource management;
- c. Cleanliness of the environment; and
- d. Prompt and high standard of reports to the Headquarters.

The nominations are made by staff within the Office/Department/Unit through a transparent nomination process. The Reward and Recognition Unit recommends eligible employees to the FIRS Management for approval. The benefits of this award include a plaque to the winner, a cash award, improved allocation to the office in the following year and recognition in the FIRS Newsletter.

Tax Officer of the Year Award

This is an award that is conferred on field officers. Officers who qualify for nomination for this award must have raised an additional assessment of 500 million naira for LTOs and

100 million naira for ITOs. Officers are nominated by Regional Coordinators and Directors based on the quantitative evaluation of performance. An officer who wins this award is rewarded with a plaque, recognition in the FIRS Newsletter and a gift in the form of a laptop or its cash equivalent.

Olorunleke's Best Director's Award

This award is named in honour of a former chairman of the Service and present member of the FIRS Board, Chief David Olorunleke. All directors of the Service, both substantive and acting, are considered eligible for this award which is meant for the director adjudged to have done the most to facilitate the actualisation of FIRS goals and such achievements are not restricted to tax revenue collection. Nominees are identified by the Reward and Recognition Unit. The winner of this award receives a letter of commendation, a gift equivalent to N250, 000 in addition to publication in the FIRS Newsletter.

Act of Valour Award

This is an award conferred on a member of staff who has distinguished himself or herself through the visible display of courage, bravery and honesty. Nominations are made by Regional Coordinators and Directors based on quantitative evaluation of performance. The deserving officer is then recommended to the Management of the Service by the Rewards and Recognition Unit. The winning officer receives a cash prize and a plaque.

Best Dressed Staff Award

This is an award given to two members of staff– one male and one female. Nominees are judged based on their comportment and compliance to the professional dress code. The winner receives a cash reward and recognition in the FIRS Newsletter.

Long Service Award

This award is given to members of staff who have been in the Service for at least 10 years. The award itself has categories of those who have served for 35, 30, 25, 20, 15 and 10 years respectively. Nominees are selected by the Human Capital Management Department based on information available on the staff database and the payroll information available. Recipients of this award receive plaques, gifts of various kinds and recognition in the FIRS

Newsletter. The award which was given to 1,121 recipients in 2008, is to be given every five years.

Taxpayer and FIRS Agents Awards

These awards are meant for taxpayers and also for agents who collect taxes on behalf of the Service and remit such to the FIRS. The awards are in various categories as shown below:

- a. The Highest Paying Taxpayer in Industry Line: This is given to the company that pays the highest tax in each line of business for the year. The Tax Operations Group is expected to provide nominees to the Reward and Recognition Unit for the approval of the Management. The winner is rewarded with a plaque and publication in the FIRS Newsletter.
- b. The Taxpayer with the Highest Compliance Level: The award is given for prompt filing of returns, prompt response to tax queries and payment of tax assessed as and when due. The Tax Operations Group is expected to provide nominees to the Reward and Recognition Unit for Management's approval. The winner receives recognition by way of a plaque and publication in the FIRS Newsletter.
- c. Agent of Collection Award: The award is given to agents and organisations that assisted the FIRS in its revenue collection tasks in the year. The Tax Operations Group nominates candidates for this award to the Reward and Recognition Unit, while the Management approves the final winner who receives a plaque and recognition in the FIRS Newsletter.
- d. Tax Friendly Government Award: This award is given to State Governments that cooperate with the FIRS with respect to tax collection in the year. The Reward and Recognition Unit nominates potential winners to the Management of the Service for approval. State Governments which win this award are rewarded with a plaque and recognition in the FIRS Newsletter.
- e. Tax Consultants' and Auditors' Awards: This is given to tax consultants and auditors who refuse to compromise the tax liabilities of their clients during the year. Nominees are presented by the Tax Operations Group and the Reward and

Recognition Unit to the Management of the Service. The reward for this category is a plaque and recognition in the FIRS Newsletter.

Institutional Awards to the Federal Inland Revenue Service

The FIRS reforms have not escaped the attention of well-meaning citizens, both individual and corporate as well as foreign observers. The FIRS and its Executive Chairman have been variously commended for their focused efforts to make taxation the pivot of national development. Due to the fact that the FIRS has successfully re-ignited the attention of governments at various levels and citizens alike to the potency of taxation as a veritable source of revenue generation for the implementation of development, domestic and international bodies have variously commended the changes that have taken place in the Service. The awards/recognition have been as follows:

- a. Impressive participation plaque by the Lagos State Chamber of Commerce and Industry; 20 November 2005.
- b. “Merit Award Certificate for Remarkable Achievements in the Taxation Profession” by the Chartered Institute of Taxation of Nigeria (CITN); 26 November 2005.
- c. “Pillar of Economic Strength” by Financial Correspondents Association of Nigeria (FICAN) in 2006.
- d. In 2007, the Economist magazine acknowledged the tax reform efforts of the FIRS and acknowledged that “a strong tax system has emerged” from the process.
- e. “Best Friendly Organization in Nigeria” by the Abuja Association of the Deaf; 2008.
- f. “Best Government Agency in Nigeria for the year 2008” by ThisDay, one of Nigeria’s leading newspapers.
- g. “Best use of e-Payment Technology for Internally Generated Revenue (Government Agencies)” by Interswitch Nigeria Limited; 2009
- h. “Award of Honour in recognition of the commitment to strengthening Audit and Investigations Capacity to improve tax compliance and to ensure the Transparency and Integrity of Tax Administration” by MIS Training Institute; 2009
- i. “Government Agency of the Year 2009” by ThisDay Newspaper

- j. “Best Friendly Organization in Nigeria” by the Abuja Association of the Deaf; 2009.
- k. “Milestone Recognition for Support Award” by the Hotel and Personal Service Employers Association, HOPESEA; 27 August 2010.
- l. “Debt Recovery Excellence Award” by the Institute of Debt Recovery Practitioners of Nigeria; 18 December 2010.
- m. Silver Ware presentation to the Federal Government of Nigeria/Federal Inland Revenue Service by the Commonwealth Association of Tax Administrators, CATA, 2010.
- n. “Most Outstanding Public Service Institution 2007-2011” by the Independent Service Delivery Monitoring Group and AIT, News; 12 July 2011.
- o. “National White 3Cs Certificate Award” by the National White Collar Crime Center, 2011.

Several awards have also been conferred on the Service in the area of sports. Some of them include:

- a. The Table Tennis Mixed Double Competition (Ladies) Trophy; Federal Ministry of Finance Games 2007.
- b. The Table Tennis Men’s Single Competition Trophy; Federal Ministry of Finance Games 2007.
- c. The Table Tennis Men’s Double Competitions Trophy; Federal Ministry of Finance Games 2007.
- d. Best Behaved Team Trophy; Federal Ministry of Finance Games 2007.
- e. Fair Play Award in Football Tournament Trophy; Federal Ministry of Finance Games 2007.
- f. Third Place in Football Tournament Trophy.

Awards to the Executive Chairman, Federal Inland Revenue Service

The Executive Chairman of the FIRS, Ifueko Omoigui Okauru, has also received numerous awards from various bodies in Nigeria for work related to the FIRS reforms project, as well as for her contributions to the current tax regime nationwide. Some of the awards the ECFIRS accepted as follows:

1. “Government Personality of the Year” by Thisday Newspaper; 2006.
2. “Member of the Federal Republic” MFR, by the President of Nigeria; December 2006.
3. Induction into the Nigerian Women Hall of Fame by the Ministry of Women Affairs and Youth Development; 3 November 2007.
4. In December 2007, the Executive Chairman was honoured by the University of Lagos which listed her as one of the 50 most outstanding graduates of the university;
5. “Best Friendly Female Executive in Nigeria” by the Abuja Association of the Deaf; 2008.
6. “Award of Excellence” by the Benin National Congress; January 2008
7. “Government Personality of the Year” by students of Kuti Hall, University of Ibadan. (Kuti Hall is oldest hall in the University of Ibadan and the university itself is the oldest in Nigeria); 2008.
8. “Global Leader of Tomorrow” by the World Economic Forum, Davos, Switzerland; 2009.
9. Honorary Doctor of Science (D.Sc) by the Benson Idahosa University, Benin City; 2009.
10. “Fellowship Award” by the Chartered Institute of Certified Secretaries and Reporters; 2009.
11. Patron of the Society of Women in Taxation, SWIT, May 2010.
12. “Award of Excellence” by the Female Councillors’ Forum of Nigeria; 19 August 2010.

13. "Benevolence Support Award" by the NYSC-FCT Corps members; 12 August 2010.
14. "Leadership Award of Courage" by Afri-Cynel Humanitarian Organisation, Alberta, Canada; August 2010.
15. "Nigerian Women of Valour Award" by the Centre for Women Development; 27 November 2010
16. "Honorary Award of Excellence and Patriotism" by the National Association of Northern Nigerian Students; 2 December 2010.
17. "Top Celebrities Female Achievers Awards" by Top Celebrities; 5 December 2010.
18. "Outstanding Women Achievers Awards" by Trevor Concepts Nigeria Services; 5 December 2010.
19. "Reform Award" by the Centre for Public Affairs Research and Development, CENPARD; 7 December 2010.
20. "Inspiring Nigeria Awards" by Inspire Nigeria Initiative; 7 December 2010.
21. "Reform Award" given to the Chairman by the Centre for Public Affairs Research and Development (CENPARD) on December 7, 2010.
22. "Awards of Honour" by TimesNEWS; 27 January 2011.
23. "2010 Zik Prize in Leadership" by the Public Policy Research and Analysis Centre; February 24, 2011.
24. "Role Model of Transparency Award" by New Jerusalem Books Ltd; 3 March 2011.
25. "Golden Jubilee Nigerian Woman Award" by the Federal Radio Corporation of Nigeria; 3 March 2011.
26. "Achievement Award" by Naijamama.com; 8 March 2011.
27. "Leadership Excellence Achievers Gold Award" Leaders and Landmark International Magazine; 10 March 2011.
28. "Leadership Public Officer of the Year 2010" by Leadership Newspaper 21 March 2011.

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29. “First Class Graduate Role Model of All Time Award” by Goodways Communication Limited; March 2011.
 30. “Leadership/Service Merit Award by African Youth Society; 2 April 2011.
 31. “Nigeria National WHO’s WHO Merit Award” by the Nigeria WHO’s WHO Management Intelligence; 24 April 2011.
 32. “African Role Model Leadership Gold Award” by Africa International News Magazine; 5 May 2011.
 33. “Award of Excellence” by the Law Students Association, University of Abuja; 27 May 2011.
 34. “Distinguished Contributions to National Development Award” by the Centre for Advocacy Against Corrupt Practices, CACORP; 21 June 2011.
 35. “Reform Ambassador Continental Award” by the Centre for Public Affairs Research and Development (CENPARD); 28 June 2011.
 36. “National Award for Industrial and Business Development” by the Institute of Internal Auditors of Nigeria; 30 June 2011.
 37. “Remember Africa Award” by the Commonwealth Society of Nigeria, Abuja Chapter; 2 July 2011.
 38. “Heart of Gold Award” by CRS Nigeria 15 July 2011.
 39. “African Role Model Leadership Award” by the Centre for Good Governance; 30 July 2011.
 40. “Award of Excellence” by the National Association of Nigerian Female Students; 5 September 2011.
 41. “Award of Excellence” by the National Institute of Public Relations; 24 November 2011.
 42. “CITN Merit Award” by the Chartered Institute of Taxation of Nigeria; 26 November 2011.
 43. “Tax Icon of the Decade Award” by the Publisher/ CEO, Nigerian Pilot and Newsworld Magazine; 21 December 2011.

44. “Oba Erediuwa Awards for Excellence” by the Oba of Benin; 30 December 2011.

While the awards conferred on the Service and its Chief Executive Officer by external stakeholders are in recognition of the transformation witnessed by the Service and the role played by the Chief Executive in that transformation, the awards conferred on the employees of the Service by the Management is in recognition of the roles played by staffs of the Service in the transformation process. Apart from the long service award, none of the other categories have been conferred yet. It is hoped that going forward, the Reward and Recognition Unit shall put in place all necessary modalities to flag off the awards in order to achieve the objectives for which they were conceived.

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CHAPTER TWENTY-THREE

UNIONS, SOCIETIES AND CLUBS IN FIRS

Background

The Federal Inland Revenue Service was established on the basis of set goals and objectives. The set goals and objectives were founded on increased revenue generation through tax administration¹ which would ensure Nigeria's sustainable development. The Service, as a creation of law, is vested with legal personality which in practical terms translates to perpetual succession, the power to acquire and dispose property and the right to sue and in return be sued.² Nevertheless, the Service requires human employees to formulate, drive and implement its policies and programmes. This creates the necessity to employ and maintain a human workforce. In the course of labour relations between employer and employees, disagreements and conflicting viewpoints are bound to arise. In order to present a common front when negotiating or pressing for welfare and sundry issues that pertain to their interest, employees in all sectors usually form themselves into pressure groups commonly referred to as "unions." Within the organizations they operate, unions are known to engage the Management or employers on issues that pertain to the development of the organization and most importantly, their own welfare. The Federal Inland Revenue Service, as an employer of human labour is not an exception to this phenomenon.

Union Activities in FIRS

As far as union activities in the Service are concerned, the year 2007 was a watershed. Prior to 2007, the Federal Inland Revenue Service was part and parcel of the Nigerian Federal Civil Service structure. The unions within the Service reflected what was obtainable in the wider civil service context. As a result, therefore, unions existed at two pedestals: the Association of Senior Civil Servants of Nigeria (ASCSN) and the National Civil Service Union (NCSU).³ While the former consisted of senior staff, the latter was made up of junior staff. By the civil service structure, senior staffs comprise of employees from grade levels

eight and above while junior staffs comprise of employees within the category of grade levels one and seven. Both unions existed as “FIRS units” of the larger federal branch.

Prior to 2004, the Executive Council of the senior staff union was elected on zonal basis. There was no central EXCO. The last of such elections took place in 2003.⁴ The zonal EXCOs elected in 2003 could not be inaugurated owing to constitutional challenges that attended the elections. Contrary to the provisions of the union Constitution, the election was conducted by an Electoral Committee set up by the Management of the Service. The crisis that resulted from the breach of the union Constitution prevented the union from being inaugurated for one year. Finally, in the middle of 2004, and with a new Chairman of the Federal Inland Revenue Service, the crisis was overcome and the EXCO was inaugurated. However, owing to the protracted crisis that had rocked the union, no meaningful programmes were executed by the union prior to 2004. In addition to the inability to inaugurate the ASCSN EXCO, other factors that impeded the smooth operation of ASCSN activities prior to the reform period include:⁵

- a. Communication gap between the Management of FIRS and the Union which resulted in the Management taking decisions without prior consultations with the Union.⁶
- b. The distinction between senior and junior staff unions created unnecessary dichotomy in union matters and did not promote synergy of efforts and presentation of a common front over issues of common interest

Free from the nature of challenges afflicting the ASCSN, the NCSU or junior staff union was already playing vital roles in the welfare of its members prior to the reforms era. In 2001, for example, the union inaugurated a committee on industrial democracy to resolve the distribution of special incentives for Revenue Collecting Agencies.⁷ The committee’s terms of reference involved:⁸

- a. cash payment to staff (bonus);
- b. staff accommodation;
- c. staff canteen and recreational facilities;
- d. staff transport scheme;
- e. staff medical scheme;

- f. staff insurance trust fund;
- g. staff training;
- h. staff promotion.

Overall, the junior staff union recorded a good number of achievements pre-2004. These were made possible through constructive engagement with the FIRS Management. Some of the achievements recorded included:

- a. Industrial peace and harmony between the union and FIRS Management
- b. Consultation of the union by the Management on matters pertaining to staff welfare;
- c. Reversal of closing time from 5pm to 4pm in line with the Civil Service practice;
- d. Introduction of medical and insurance packages as direct efforts of the Committee on Industrial Democracy;
- e. Provision of accommodation staff in the Federal Capital Territory and some other states;
- f. Election of zonal representatives for Lagos, Port Harcourt, Ibadan and Enugu.

The FIRS Management that came on board in 2004 resolved some of the lingering problems that afflicted, especially, the senior staff union. The conferment of autonomy on the Service in 2007 by the FIRS Establishment Act removed the unions from within the mainstream of the federal civil service structure. The immediate implication for the unions was the transformation in their status from “mere units” to branches. This meant that the unions could, without recourse to federal branch of either the ASCSN or the NCSU, affiliate with the Labour Congress or Trade Union Congress. In 2010, close to 2000 new staff were employed by the Service, the first time the organization was exercising its newly acquired powers to recruit further to the autonomy conferred by the 2007 Act. The new staff brought the total number of staff of the Service to over 6000.⁹

Another positive development that came with autonomy in 2007 was improved funding for the Service through the cost-of-collection mechanism that ensured the Service retained a certain percentage of its non-oil collections for its operations. The unions keyed into the improved funds available to the Service and negotiated for new welfare package for staff of

the Service. The new, improved salary was implemented in 2007. In 2011, through negotiations with the Management, another salary increment was approved effective July 2011. In addition to the salary increment, the FIRS Management/Board also approved housing and car loan schemes for confirmed staff of the Service commencing from the 2011 budget year. Speaking on staff welfare under the reform era, chairman of the NSCU Sunday Babarinde has this to say:

The Management of FIRS has done greatly well in terms of welfare of the staff. No system is perfect, but the FIRS Management has improved the welfare scheme for its staff; there is great improvement of welfare policy from this present administration than the previous ones.¹⁰

Overall, the following achievements have been recorded by the different unions since the advent of reforms in FIRS.

The National Civil Service Union (NCSU)

- a. Union Staff promotion from 2005 to 2007;¹¹
- b. The Union Committee members on Staff, Welfare, Reward and Recognition Committee (SWRRC) brought about increment in allowances;¹²
- c. Negotiation for the payment of staff who bought government houses in 2007;
- d. Payment of medical allowances to staff;
- e. Workshop on attitudinal change for members of staff in Abuja;
- f. Hosting of the first Town Hall Meeting held in Abuja in 2007.

Perhaps one of the most important achievements of the NCSU was the signing of a memorandum of understanding with the FIRS Management extending the grace period to the year 2013 for staff without relevant prerequisite qualifications. Further to its power to recruit granted by the 2007 Act, the Management of the Service prescribed either a first degree or Higher National Diploma as minimum entry qualification. This requirement is not obtained in the civil service and since the Service was coming from a civil service background, there were certain categories of staff that did not possess the new entry requirement. This created a dilemma for the staff concerned, the Management and the unions. Through

negotiations, the union prevailed on the Management to accord a grace period of up to 2013 for the affected staff that were either in school or had acquired admission preparatory to the acquisition of the minimum requirement. This led to the signing of a memorandum of understanding between the union and the Management. The reforms also had the following effects on the Union and FIRS staff in general.

- a. Expansion of the structure of the Service and the unions, through expanded workforce. The service has 20 departments;¹³
- b. Movement of the Service's processes, including human relations processes, from manual to computer oriented system;
- c. Creation of regular fora through which the union leadership interfaces with Management of FIRS for deliberations on the welfare of the staff;¹⁴
- d. Improvement on the quality and quantity of manpower in the service. Before the reforms there were about fifty staff in FIRS, but now there are about 6000 staffs of which 5000 are graduates. Some of them are members of professional bodies;¹⁵
- e. Increase in salary. Before the reforms, some categories of staff earned less than 10,000 naira per month but at present, no pensionable staff of the Service earns less than N100, 000. 00 per month, even after statutory deductions.¹⁶

With particular reference to the senior staff union, the resolution of the 2003-2004 crises re-positioned the association to embark on activities to promote its objectives. Some of the activities engaged in by the ASCSN since then are as follows:

- a. Seminar on Review of the FIRS Reforms and its Implication: The prospects of labour organization as a result of a New Labour Bill.¹⁷
- b. Workshop on The new look of FIRS as an Agent of Revenue Generation: Combating and prevention of corruption in FIRS, Creation of prosperity in shared values: Management interrelationship, the roles of pension fund administration in pension reform.
- c. Seminar on The roles of unionism in the new FIRS: The challenges. Power of collective/confrontational bargaining of unionism in the democratic dispensation, revenue generation enhancement strategies with emphasis on institutional

development based on proper premium placement, comparative analysis of FIRS vis-à-vis the Constitution.

- d. Workshop on The New Attitude and the New Plan for the New FIRS: FIRS in the Eye of the Public: Perception/Collective Measures, Communication and Interpersonal Skills: Vital for Labour-Management Relation.¹⁸
- e. Seminar on The Impact of Global Financial Crisis In Revenue Generation: The Way Forward, the Global Financial Crisis: Challenges for Management and Labour Union, Implementing Assessment Programme in Integrated Tax Offices for increased Revenue Generation and The Motivation of Work Force as an Engine for Achieving Organisational Goals/Objectives.

In addition to the above activities which dovetailed into the corporate and strategic goals of the Service, the union's engagement with the Management produced the following benefits to staffs:¹⁹

- a. Recall of suspended staff
- b. Recall of staff whose employments were wrongly terminated;
- c. Payment of welfare packages to disengaged staff;
- d. Termination of disciplinary cases in favour of staff who were wrongly accused;²⁰
- e. Payment by Management on behalf of staff that won houses allocated by the Government;
- f. Special assistance by Management to staff with deserving cases;
- g. Clearing of backlog of promotion through Management intervention;
- h. Payment of special allowances;
- i. Objectivity in handling transfer of staff;
- j. Successful hosting of seminars and workshops as contained above;
- k. Establishment of Housing Loan Scheme;
- l. New salary implementation;
- m. Payment of recouped bonus;

- n. Quarterly meeting with the Management to discuss issues affecting staff;
- o. Compensational approach to staff that encounter misfortune;
- p. Insistence on conclusion issues arising from any promotion exercise before going into a subsequent exercise.

The FIRS Multi-Purpose Cooperative Society Ltd

The Co-operative officially took off on 19 May, 2006 with 174 members after series of meetings between the Executive Committee members of the Society, the Management of the FIRS and the interested members while business activities were open to members of staff on 1 July, 2007.²¹ The Cooperative Society was duly registered with the Registrar of Cooperatives in the Department of Cooperatives of the Federal Capital Development Authority in 2006 and affiliated with the Abuja Cooperative Federation (ABCOF) in 2009.

The affairs of the Cooperative Society are under the management of the following Executive Council members:²²

- a. R. A Elegbe: President;
- b. M. D Shehu: Vice President;
- c. A. A Adeyemi: Secretary General;
- d. R. B Ishola: Assistant Secretary General;
- e. K. I Ayani: Financial Secretary;
- f. M. O. Tologbonshe: Assistant Financial Secretary;
- g. C. A. Ajide (Mrs): Treasurer.

The objectives of the Cooperative Society as enshrined in the Bye-laws of the Society include:

- a. To encourage regular savings among members and to provide credit to members for provident and productive purposes;
- b. To create special funds for investment purposes, including procurement of essential commodities, aimed at enhancing the economic and social well-being of members;

- c. To promote among members the spirit and practice of thrift, mutual and self-help based on co-operative principles;
- d. To supply members with consumer goods at reasonable prices;
- e. To carry out regular major projects and investments for the benefit of members;
- f. To take other measures designed to encourage the spirit and practice of cooperation and self-help to the members.

The Society maintains a cordial relationship with the Management of the Service. Following the registration of the Society, the Management made available the sum of three hundred thousand naira (N300, 000. 00) to the Society as take-off grant.²³ The grant provided a smooth platform for the Society to build upon. Since inception, the Society has recorded the following achievements:

- a. Provision of credit to members for provident and productive purposes;
- b. Creation of special funds for investment purposes, including procurement of essential commodities, aimed at enhancing the economic and social well-being of members;
- c. Promotion among members the spirit and practice of thrift, mutual and self-help based on co-operative principles;
- d. Supply of consumer goods at reasonable prices to members, especially at festive periods;
- e. Carrying out of regular major projects and investments for the benefit of members;
- f. Facilitation of property acquisition, especially landed property, for members;
- g. Provision of loans to interested, deserving members;
- h. Establishment of the Cooperative Society in Akure, Ibadan, Maiduguri and Lagos.²⁴

The various unions and associations in FIRS have achieved a lot in the area of staff welfare. However, there are areas that are yet to be addressed. Going forward, these areas need to be addressed for the unions to be at the level envisioned by their respective charters. Some of the outstanding areas are as follows:

- a. Unions in FIRS do not have financial autonomy.²⁵ Most of the programmes of the unions cannot be executed without Management assistance. This reality undermines the autonomy of the unions in their engagement with the Management.
- b. The dichotomy created by a “senior staff union” and a “junior staff union” occasionally leads to inter-union bickering and grandstanding, undermining the ability to present a common, united front on issues that affect staff commonly. Given the new status of the FIRS where the least officers are those on salary grade level 8, the need for the continued existence of two unions no longer exist as there are no “junior” staff, so to speak, in the Service anymore. There is therefore, need to merge the two unions, going forward.
- c. Though the staff and entire systems in FIRS have been reformed, the unions are yet to reform their processes in line with the current practice in the larger context of the Service.
- d. The time taken to dispose of disciplinary cases is still far from satisfactory.²⁶ Clear cut timelines for disposal of cases need to be defined according to categories of disciplinary cases.
- e. Vacancies need to be created, where it is realistic, for staff that scaled through in the promotion examination/interview to move into. At present, successful candidates for promotion sometimes do not get promoted as result of absence of vacancies.
- f. The agitation of staff on some other issues of welfare such as payment of special allowances to mitigate high costs of living is yet to receive definite commitment from the Management.

The combined roles of the unions and the Cooperative Society have led to improvement in the collective welfare of staff. To the extent that a happy, motivated workforce is a productive workforce, it is in the strategic interest of the FIRS Management to always find common grounds with these associations in order to drive organisational goals. It therefore behooves the Management, in conjunction with the associations to find solutions to the challenges facing the unions with a view to addressing those challenges to the benefit of all stakeholders.

FIRS SPORTS CLUB

The FIRS Sports Club organizes events and activities aimed at achieving job efficiency through physical fitness and mental alertness among employees of the Service. The Sports Club and its activities in Federal Inland Revenue Service (FIRS) date back to the tenure of Chief A. O. Ogunba as the chairman of the defunct Federal Board of Inland Revenue.²⁷ The Sports Club was known then as the Social and Sports Club. One of the founding members, who also served as its president was Mr. J. K. Naiyeju who later became chairman of the FBIR. J. K Naiyeju handed over the affairs of the club to Dr B. C. Ikokwu, former Director, Assessment. Dr Ikokwu handed over to I. O Rotimi. In 1998, the headquarters of the FBIR was moved from Lagos to Abuja. In order to provide better coordination of the Club and place it on a better footing, there was an election in 1998 which produced about nine officers to pilot the affairs of the Club. These were Osanekwu, E. C (Controller) Opaleye, R. K (Deputy Controller) Elegbe R.A (General Secretary) Agora M. I (Assistant Secretary) Enelichi L. C (Social Secretary) Akeem Ade Balogun (Sports Secretary) Ogbet B. E (Treasurer) Eze J. A (Auditor) and Ikusika, S. T (Financial Secretary).²⁸ The involvement of key members of this EXCO in the activities of the FIRS chapter of National Civil Servants Workers Union (NCSWU) affected the activities of the Club such that not much was achieved under their tenure.

On 5 December, 2003, another election was held to elect a new Executive Committee under the presidency of L. C Enelichi. The tenure of this EXCO ended on 7 July, 2008. The tenure of office of the current EXCO of the FIRS Sport Club commenced on 7 July 2011 under the presidency of Seriki T. A. Other members of the EXCO include Jimoh O. W (Vice President) Ajoge J. Y (Secretary General) Ishola R. B (Assistant General Secretary) Tinat Philip (Team Manager, deceased) Mrs Oshiyemi G.A (Financial Secretary) Mrs Omale J. U (Treasurer) Mohammed Idris (PRO) and Attah Muazu (Auditor).

However, chains of elections and exchange of batons in FIRS Sports Club before 2004 could not revive sporting events in the club to the desirable level. Up to 2004 when major reforms started in the Service; the FIRS Sports Club was operating sub-optimally in terms of activities and events. Sporting events were rarely organized and when they occasionally held, turn out of participants was low. The Club was poorly funded and this affected its performance. These major lapses were attributed to the dearth of requisite facilities, non-

approval of events by the Management of FIRS and existence of obsolete sports equipments.²⁹ The changes in the management structure of the Club that took place in 2007 marked a new vista for sports development in the Service.

Management Structure

In 2007, the Club was affiliated to the Federation of Public Service Games (FEPSGA) and to better reflect the new status of the club as an affiliate of FEPSGA, the Club EXCO changed its name from Sports and Social Club to the FIRS Sports Club.³⁰

In order to carry along all staff of the organisation in its activities, the EXCO made a proposal to the Management of FIRS for an approval to organise regional elections to elect regional representatives into the Club EXCO. The proposal was approved by the Management and elections were held between 1st and 11th June, 2009 in all the regions, except the Northeast Region. Elections could not hold in the region as a result of an accident which claimed the life of a female staff and injured two other staff in the region at the time. In all therefore, five staff were elected as regional representatives on the EXCO of the Sports Club.³¹

Activities

While various areas in the Sports Club were resuscitated by the changes in the unit, there was a special focus on revitalizing sports activities in the club. This led to a rebirth in the regular organizing of sports events. It is a positive reverse from the pre-2004 era when the Spots Club rarely organised events for the staff of FIRS. From the onset of reforms till date, the FIRS Sports Club, notwithstanding a wide range of daunting setbacks, organised the following events:

- a. Seminar/workshop³² on wealth creation, held at FIRS Conference Hall, Abuja on 19th October, 2005;
- b. Seminar on HIV/AIDS at FIRS Conference Hall, Abuja on 1st December, 2006. Participants were educated on the intricacies of the scourge, HIV/AIDS;
- c. Two-day public hearing at National Assembly building, Abuja from 21st - 22nd May, 2008;

- d. Annual Sports Seminar at National Institute for Sports, Lagos and Sports Workshop/Seminar at Abidap Hotel, Ipaja-Lagos;
- e. Monthly walking/jogging exercises at the National Stadium, Abuja;
- f. Financial Institutions Sports Competition at Aguiyi Ironsi Barracks, Abuja in June, 2007;
- g. Federation of Public Service Games (FEPSCGA) 26th edition, held at Minna, Niger State in 2007;
- h. Christmas decoration of FIRS Headquarters Reception Room yearly since 2007;
- i. Novelty Match between FIRS Groups at old Parade Ground, Area 10, Garki-Abuja. It was held on 14th February, 2009;
- j. 16th National Sports Festival from 15th–25th February, 2009 at Kaduna;
- k. Regional Sports Club Executive elections from 1st–12th June, 2009 at Enugu, Port-Harcourt, Lagos Mainland, Lagos Island, Ibadan, Kaduna and Katsina;
- l. Regional Football Competition for ECFIRS Cup, Maiden edition held from 8th – 22nd October, 2009;
- m. Sports Club Annual General Meeting at Learning and Development Hall, Abuja on 13th October, 2009.

The above events undertaken by the Sports Club, resulted in the following achievements:

- a. Education of FIRS staff on the roles of the FIRS Sports Club;
- b. Enlightenment of staff on good health practices and education healthy living;
- c. Job efficiency through physical fitness and mental alertness was inculcated in staff and other participants;
- d. Staffs were imbued with requisite knowledge on wealth creation during technical sessions;
- e. Staff got tips on proactive steps that would end the occasional lull in activities of the FIRS Sports Club;
- f. Monthly walking/jogging exercises have been introduced to boost good health and enhance job efficiency through physical fitness, mental alertness and healthy living;

- g. Annual hosting of Federation of Public Service Games (FEPSGA);
- h. Competent hands were elected to saddle the affairs of FIRS Sports Club across the eight regions in the Service;
- i. Sports talents in staff were discovered and developed;
- j. Creation of forum for staff relaxation outside official works;
- k. Decentralized sports administration was made feasible by the reform;
- l. Proactive ways for sports management were developed while social network work with sister organisations– CBN, Ministry of Finance, Customs, Office of the Accountant General among others were promoted. This collaboration resulted to the annual hosting of CBN's All Financial Institutions Football Competition

Other organization-wide changes orchestrated by the reforms in the FIRS Sports Club are:

- a. Seasonal decoration of FIRS headquarters by the Club;
- b. Sensitization of taxpayers on their rights and tax duties. It is a monthly exercise;
- c. Creation of viable environment for learning Strategic Sports Management;
- d. Encouraging active participation in sports by presentation of medals to winners of tournaments.

In spite of these laudable improvements, the Sports Club is still battling with some challenges that undermine the smooth running and development of sporting activities in the Service. Some of these challenges include: ³³

- a. Lack of functional sports secretariat. The FIRS Sports Club has a secretariat that is no longer functional and the equipments therein are in a state of disrepair. Worst still, the sports center has in recent time been converted to store extensions.
- b. Insufficient funds for regional executives of the club to carry out independent sporting activities.
- c. The recent movement of key officers of the club to other regions outside Abuja has hampered the club activities adversely.

- d. Obsolete sports facilities which are yet to be replaced such as the dilapidated gymnasium and Table Tennis Board.
- e. Insufficient funds to organize activities such as inter-ITO games competition; provision of club house(s); training courses for the Executives, coaches and athletes to improve performance; provision of first aid office, medicals and ambulance.

Strategies to address the above challenges will focus on provision/upgrading of sporting facilities and improved funding channels for the Sports Club. When these strategies are actualized, the Club will be better placed to strengthen the physical fitness and mental alertness of workers which will in turn, position them to be more productive. The club hopes to be a mediator in strengthening the relationships between FIRS, financial institutions and other sister organisations through sports competitions that will involve the participation of all the institutions thereby foster ties of cooperation and understanding between the Service and external stakeholders. Going forward too, the Club also envisages tapping all sports talents among staff with a view to developing them for future use during tournaments. Specifically, the Club EXCO hopes to gain national recognition and fame for the Service by the year 2013 by registering and participating in the Nigerian League.³⁴ The goal is to promote taxation through sports. Sports have proved to be a veritable force for unifying different interests in Nigeria. The club envisages that the Service can leverage on the love the Nigerian public has for sports in propagating taxpayer education with a view to enhancing voluntary compliance.

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CHAPTER TWENTY-FOUR

JOINT TAX BOARD

Background

In 1958, the Government inaugurated a Fiscal Commission headed by Sir Jeremy Raisman to review the fiscal relations between the Central Government and the Regions. The terms of reference for the Raisman Commission included the mandate to examine the existing taxation powers at the various levels of government. The Commission recommended, among other things, that income tax jurisdiction should be regionalised. The recommendations of the Raisman Commission were accepted and embodied in the 1960 Independence Constitution. The Constitution vested taxation of corporate income in the Federal Parliament and the taxation of personal income in the regions. The Companies Income Tax Act 1961 was therefore passed to regulate the taxation of corporate income and the Income Tax Management Act 1961 to regulate the taxation of personal income. The Companies Income Tax Act 1961 created the Federal Board of Inland Revenue and vested it with powers to administer corporate tax (as well as other taxes within the federal legislative competence). Since the administration of personal income tax was within the ambit of regional governments, the Federal Government wanted to ensure that no taxpayer was subjected to multiple taxes by different regional governments. This consideration was in line with Section 70 (2) (d) of the 1960 Constitution which provided that the Federal Government was responsible for “regulating the liability to tax of persons within Nigeria by reference to their places of residence or otherwise for the purpose of ensuring that any income or profit does not bear tax under the laws of more than one territory.” In addition, there was a need to ensure that no regional government exercised its income tax jurisdiction in a manner that could threaten the economic equilibrium of the entire federation. All these concerns provided the basis for the creation of an institution that would ensure uniform practices in the taxation of personal income across the federation.

The Joint Tax Board was first established by the Income Tax Management Act, ITMA 1961.¹ The Board consisted of the Chairman of the Federal Inland Revenue as chairman, and one member each from the three regions to be nominated by the director or commissioner in charge of matters relating to income tax.² The Board had a mandate to perform such duties as expressly conferred upon it by the Act, or as agreed by the governments of the respective territories, or as conferred on it by a federal law or Finance Minister.³ In addition to the foregoing general powers, the Board was specifically mandated to:

- a. advise the government of the federation, on request, in respect of double taxation arrangements concluded or under consideration with other countries, and in respect of rates of capital allowances and other taxation matters having any effect throughout Nigeria and in respect of any amendment to the Act; and
- b. use its best endeavours to promote uniformity both in the application of the Act and in the incidence of tax on individuals throughout Nigeria⁴

In 1979, a Task Force on tax administration was set up and one of its recommendations was the establishment of the Joint Tax Board as standing advisory body with clearly spelt functions. In 1993, Decree No. 104 of 1993⁵ was passed, establishing the Joint Tax Board under section 85 thereof. The decree which is now titled the Personal Income Tax Act Cap P8 Laws of the Federation of Nigeria 2004, establishes the Board under Section 86 (1).

The Board consists of the following members:

- a. The Chairman of the Federal Inland Revenue Service who shall be the Chairman of the Board;
- b. One member from each state, being a person experienced in income tax matters nominated either by name or office by the commissioner charged with responsibility for matters relating to income tax in the state in question;
- c. The Secretary to the Board, appointed by the Federal Public Service Commission who must be an officer experienced in income tax matters and who may in accordance with the existing law appoint such other staff as the Board may deem to be necessary from time to time, including secondment or transfer from any public service in Nigeria. The secretary shall not be a member of the Board but shall be responsible for

maintaining records of the Board's proceedings and for signifying all decisions of the Board.

The legal adviser of the Federal Inland Revenue Service is allowed to attend the meetings of the JTB and act as adviser thereat.⁶

Duties of the Joint Tax Board

According to section 86 (9) of the Act, the Joint Tax Board is vested with the following functions:

- a. Exercise the powers or duties conferred upon it by any express provision of the Act, and any other powers and duties arising under the Act as may be agreed by the Government of each territory to be exercised by the Board;
- b. Exercise any powers and perform duties conferred on it by any enactment of the Federal Government imposing tax on the income or profits of companies or which may be agreed by the Minister of Finance to be exercised by it under the enactment in place of the Federal Inland Revenue Service;
- c. Advise the Federal Government on request, in respect of double taxation arrangement concluded or under consideration with any other country, and in respect of rates of capital allowances and other taxation matters having effect throughout Nigeria in respect of any proposed amendment to the Act;
- d. Use its best endeavours to promote uniformity both in the application of the Act and in the incidence of tax on individuals throughout Nigeria; and
- e. Impose its decisions on matters of procedure and interpretation of the Act on any State for purposes of conforming to agreed procedure or interpretation.

In addition to the above functions, other roles performed by the Board include:

- a. advising all tiers of government on tax matters in order to evolve an efficient tax system for the country;
- b. resolving conflicts of tax jurisdiction among tiers of government and conflicts over residency of taxpayers among member states for the purposes of income tax;

- c. approving and regulating retirement benefit schemes for the country and providing guidelines for the interpretation of income tax laws, regulations and practice directions

For example, following the controversy between the Federal Inland Revenue Service and the Nigerian Postal Service pertaining to jurisdiction over the administration of stamp duties, the Joint tax Board at its 121st meeting held in Katsina, offered its opinion and stated that the Federal Inland Revenue is the only agency empowered by law to administer stamp duties based on the combined reading of Section 2 of the Federal Inland Revenue Service (Establishment) Act 2007 and Section 4 (1) and (2) of the Stamp Duties Act Cap S8 Laws of the Federation of Nigeria 2004.⁷

As members of Joint Tax Board, the State Boards of Internal Revenue are specifically responsible for the administration of the Act on:

- a. every individual deemed to be resident for that year in the relevant State under the provisions of the Act;
- b. Itinerant workers found in that State during the year;
- c. A village or other indigenous community under the law of the territory in which that community is to be found;
- d. Incomes of families in the territory in which the member of that family who customarily receives that income in the first instance in Nigeria usually resides;
- e. Income arising to a trustee of any settlements or trusts or estates or to an executor of any estate of a deceased person by the territory of which the tax authority is the relevant tax authority in relation to such settlement, trust or estate and to the extent provided in the Second Schedule of the Act;

The Federal Inland Revenue Service as a member of the Joint Tax Board is specifically responsible for the administration of the Personal Income Tax Act for the following specific persons:

- a. Persons employed in the Nigerian Army, the Nigerian Navy, the Nigerian Air Force, the Nigerian Police Force other than in a civilian capacity;
- b. Officers of the Nigerian Foreign Service;

- c. Every resident of the Federal Capital Territory, Abuja, and
- d. a person resident outside Nigeria who derives income or profit from Nigeria

In addition, as a Federal legislation, the Service is entrusted with the responsibility to represent the Federal Government and use its role as Chairman of the Joint Tax Board, to ensure proper administration of the Act working in concert with other members of the Joint Tax Board. While the Federal Government is responsible for the provision of offices for the Joint Tax Board, recurrent expenses incurred by the Board including emoluments of the Secretary and other employees of the Board are the joint responsibilities of the Federal and State Governments to be shared in the proportion of either their respective tax revenues or some other manner as may be agreed upon.⁸

The establishment of the Joint Tax Board was informed by the desire to ensure harmony and uniformity in the application of the Personal Income Tax Act given that the various levels of government have different tax-collecting authorities. Since 1961, the Board has provided a platform for States Boards of Internal Revenue and the Federal Inland Revenue Service to address issues relating to personal income tax. The Board has been successful in providing guidance to its members and has also served as a forum for sharing ideas for development. The Board's performance was however sub-optimal owing to challenges that had to do with organisational structure, manpower, funding and work processes. The recommendations of the Study and Work Groups on the Nigerian tax system could not be implemented without the buy-in of state revenue authorities. To the extent that the Joint Tax Board provided a common platform for all the state revenue authorities and the federal tax authority, the Board was an indispensable partner in the success of the overall reform agenda.

The Joint Tax Board and the 2004 Reforms in the Nigerian Tax System

The Joint Tax Board keyed into the reform process by, first, defining a new vision which is to be innovative, dynamic and proactive in its assigned functions of advising, monitoring, implementing and evaluating an efficient and uniform tax and revenue generating systems for the benefit of the nation. In pursuit of the above vision, the Joint Tax Board identified four key planks upon which to reposition itself. These planks included:

- a. A uniform tax administration structure which will encourage standardization in the institutional framework amongst the states and have in place properly constituted Boards of Internal Revenue as envisioned by section 87 of the Personal Income Tax Act; properly constituted Local Government Revenue Committees in accordance with the provisions of section 90 of the Personal Income Tax Act; and a functional and properly constituted Body of Appeal Commissioners to stand in as courts of first instance to handle tax appeal cases.
- b. Autonomous and properly funded States' Boards of Internal Revenue in order to enhance existing capacities; improve on revenue generation efforts; and reduce dependence on allocations from the Federation and VAT Pool Accounts.
- c. Revenue Boards with properly built capacities that will enable the State tax authorities discharge their duties professionally; and
- d. Revenue Boards that would leverage on current advances in information and communications technology, in order to enhance revenue generation, block current leakages in the system and make tax administration easier, faster and more efficient.

In order to achieve the objectives above, the Board embarked on institutional and operational reform initiatives as discussed below.

Organisational Restructuring

The reforms relating to organisational restructuring occurred at administrative and operational levels. Prior to 2004, the secretariat of the Board comprised of the chairman, the secretary and an assistant secretary who supervised other officers, fourteen in all. There were three functional units namely:

- a. Training/Personnel;
- b. Meeting/Protocol;
- c. Retirement/Pension Scheme.

In 2004, a committee was raised to restructure the Board's secretariat in terms of administrative organisation, staffing and remuneration. At the operational level, a review of the pre-2004 era showed that first, there was no strict compliance with the Taxes and

Levies (Approved List of Collection) Act 1998 and second, there was no uniformity in the application of the decisions of the Board among the States. Two factors were identified as being responsible for these problems. First, the Personal Income Tax Act did not empower the Board to sanction erring States or agencies that violate the Board's decisions. Second and deriving from the reason above, there were no structures for monitoring and enforcing decisions of the Board. In order to correct this trend, the Board decided on a number of measures. Some of the measures proposed were as follows:

- a. A provision should be inserted in the Personal Income Tax Act conferring powers on the States' Board of Internal Revenue to authorise the Accountant-General of the State to deduct unpaid withholding tax from allocations or subventions of defaulting Local Governments, ministries and parastatals.
- b. Further to the above, the Act should specify specific sanctions against erring Board members, as well as ministries and parastatals.⁹

These measures were aimed at giving bite to the bark of the Board such that it would be empowered not just to ensure effective monitoring of the Board's decisions but impose sanctions on members where appropriate. To ensure consistency and stability the Board further suggested that the term of office of the chairmen of the various States' Inland Revenue Boards be guaranteed for a specific term. In addition, the Board proposed to the Revenue Mobilisation, Allocation and Fiscal Commission that the chairmen be placed at par with accountants-general, auditors-general and permanent secretaries in terms of ranking and should also be included in the terminal benefits scheme.

As at 2005, the Board was staffed almost exclusively by the Federal Inland Revenue Service. There were no clear job specifications or organogram. The Management of the Board engaged the firm of Akintola Williams as a consultant to drive the restructuring of JTB. The consultant developed a new structure, organogram and competencies for the Board. Competencies and files were segmented into technical, finance and administration. Committees were formed and given terms of reference, laying the foundation of the development of JTB policies.¹⁰ The work of the consultant provided the platform upon which talented and skilled staffs were employed into the JTB.

The Monitoring and Compliance Committee of the Board was strengthened to ensure adequate compliance to standards. This led to an improvement in taxpayer education services. In order to institutionalize best practices, members were required to share experiences and innovations at JTB fora. Furthermore, a practice was institutionalized whereby at all JTB meetings, members were obliged to pay courtesy visits on traditional rulers to seek their buy-in on enlightenment campaigns. Governors and State officials were also required to showcase projects completed with taxpayers' money to engender public confidence in the system. These are reform initiatives that have endured to date.¹¹

In order to effectively drive the reforms that were introduced, membership dues were reviewed to boost the financial standing of the Board. Assistance was also sought from development partners on certain projects such as the TIN Project.

Centralization of Tax Administration

At the 2005 conference of the Commonwealth Association of Tax Administrators held in Canada, it came to light that Nigeria is the only country within the Commonwealth that has not yet centralized its tax administration. Following this awareness, and in conformity with the global trend, the leadership of the Joint Tax Board proposed to initiate strategies to centralize tax collection. The federal government is at the forefront of the centralization initiative, but the proposal does not find favour with some stakeholders who argue that such a measure is inconsistent with the federalist nature of the Nigerian Constitution. Taking the argument further, critics of the proposal also call for the repeal of the Taxes and Levies (Approved List for Collection) Act on the basis first, that the taxing powers of the States being residual cannot be limited by statute; and second, that the taxing powers of Local Governments can only be properly determined by laws of the various States' Houses of Assemblies. Since the Joint Tax Board is an amalgam of the tax authorities of the various states, their opposition to the centralization of tax administration has placed the initiative in comatose at the moment.

Legislative and Financial Autonomy

As a measure to boost performance of the various States' Board of Internal Revenue, and taking a cue from the legislative and financial autonomy granted the Federal Inland Revenue Service, the Joint Tax Board spearheaded autonomy for the State Boards, independent of

the State civil service structures. The efforts of the Board materialized when Lagos and Adamawa States became the first two States in the country to grant legislative and financial autonomy to their tax authorities. Through communiqués issued at its quarterly meetings, the Board continues to challenge other States to follow the example of Lagos and Adamawa.

Automation of Revenue Collection

Automation of the revenue collection process was informed by the need to block the leakages associated with manual collection. The strategy was aimed at growing the quantum of revenue accruing to States while at the same time de-emphasizing over-dependence of States on federal allocation. The automation of States tax authorities was to be a follow-up on the automation of the Federal Inland Revenue Service. Nine areas were identified as being critical to the success of the automation process. These were:

- a. Computerization of States' Board;
- b. Training of JTB secretariat staff, members and staff of the various States tax authorities;
- c. Computer training for all chairmen of States tax authorities;
- d. Publications;
- e. Building of network and intranet for the Board for online communication and information sharing with stakeholders;
- f. Provision of libraries for the secretariat and States' tax authorities;
- g. Establishment of websites for the JTB and States tax authorities;
- h. Payment of salaries for secretariat staff;
- i. Management consultancy services.

In order to overcome the challenge of funding the automation process, the Board sought the assistance of donor agencies, local and international and by 2007, the British Government's Department for International Development, DFID, granted the sum of one million dollars to the Board for its automation initiative. The Board identified four areas it needed to employ the funds thus:

- a. Development of an individual taxpayer database across the country with Taxpayer Identification Numbers, TIN, assigned to every taxpayer;
- b. Development of websites and intranet facilities for the JTB, FIRS and six States Internal Revenue Boards (one in each geo-political zone) as pilot projects;
- c. Capacity building course on the use of modern information technology for chairmen of the various States tax authorities;
- d. Upgrade of facilities at the JTB secretariat.

Lagos State set the ball rolling in automating its revenue collection and was followed in this regard by Delta State. Other States that have embarked on the process of automation are Abia, Cross River, Gombe and Kaduna. Based on the experience of Lagos and Delta, the Board identified three factors as most critical in successfully transforming from manual to automated collection. These factors, which are meant to guide other States in their automation process include:

- a. the use of information technology.
- b. guidelines for the use of information technology.
- c. provision of internal control and risk management in the collection process.

Information and Communication Technology

The introduction of information and communication technology in the operations of the Joint Tax Board was necessary in the overall drive to modernize the Nigerian tax sector. From the viewpoint of tax authorities, the centre-point of information technology was the application of computer technology to tax operations. The operations of tax authorities at all levels, considered to be in urgent need of computerisation were taxpayer enumeration, assessment, collection and accounting for revenue collected. Pursuant to the above objective, the Joint Tax Board in 2005 invited reputable Information and Communications Technology Consultants/Solution Providers with proven experience in tax administration systems to submit proposals for the supply and implementation of a “Tax Administration Automation Solution” for adoption by its member states. The solution was to have as its basic features capabilities for registration of taxpayers, filing of returns and assessment, collection, audit,

execution, general ledger and taxpayer information. In addition, the solution was required to possess adequate reporting capabilities that would:

- i. Generate payment receipts automatically;
- ii. Generate letters for various contacts with tax offices;
- iii. List amended address (es);
- iv. List change of taxpayer status;
- v. List newly registered taxpayers;
- vi. List all taxpayers by some defined criteria;
- vii. List all taxpayers under notification;
- viii. List all payments made and date of payment by taxpayers;
- ix. List all outstanding payments to be made;
- x. List taxpayers with demand notices;
- xi. List taxpayers with stand-over orders;
- xii. List all discharged notices;
- xiii. List cancelled stand-over orders;
- xiv. Report on agreed payment schedule for a taxpayer;
- xv. List all bad taxpayers;
- xvi. List all transferred taxpayers;
- xvii. Report on all amendments to records;
- xviii. Analyse tax defaulters;
- xix. List all approved assessments;
- xx. List notice of assessments;
- xxi. List all amended assessments;
- xxii. List all re-assessed taxpayers;
- xxiii. List summary of taxpayer returns;

- xxiv. List taxpayers and their contacts/representatives;
- xxv. Report monthly penalties paid by taxpayers;
- xxvi. List penalty charges and period of default;
- xxvii. List summary of tax refunds;
- xxviii. List all tax types and applicable rates;
- xxix. List Tax Clearance Certificates based on request and marked printed;
- xxx. List tangible immovable assets such as house, locality, date building completed, cost of land, construction cost and current value by taxpayer;
- xxxi. List all legal notices issued;
- xxxii. List details of action (s) taken on each legal notice;
- xxxiii. Report on details of particulars of investigative actions;
- xxxiv. Report on progress of legal cases and officers assigned the case(s) ;
- xxxv. List special investigations and case plans.

A corollary of the computerization of operations by tax authorities was the introduction in 2008 of the Taxpayer Identification Number, TIN. The TIN is a unique number allocated to a taxpayer at the point of registration with which the taxpayer's taxable activities can be tracked. In addition to harmonizing the registration of taxpayers nationwide, the TIN project also aims at the development of a national taxpayer database. The harmonized system is designed to adopt common infrastructure, contact management centre, change management, capacity building and media campaign. The Joint Tax Board will manage the central database without prejudice to the rights of States' revenue authorities to own and manage their own local taxpayer database. Stakeholders outsider the mainstream of tax administration will be granted 'read only' access to the main database on a need- to-know basis.

The TIN project is on-going and it is expected that upon completion, the project will yield benefits to both tax administrator and taxpayer. Benefits expected to accrue to tax authorities at all tiers include:

- a. Increase in revenue;

- b. Reduction in administrative cost;
- c. Increase in voluntary compliance;
- d. Reduction in tax evasion;
- e. Easier access to information and increased collaboration;
- f. Easier identification and registration of taxpayers;
- g. Scientific basis for planning, budgeting and appropriation.

For the taxpayer, it is envisaged that upon completion, the TIN project will yield the following benefits:

- a. Timely feedback of tax credit;
- b. Reduction in cost of compliance;
- c. Reduction in incidents of multiple taxation;
- d. Enhanced relations with tax authorities.

The infrastructure and systems upon which the project is been driven are designed to ensure:

- a. Uniformity and standardization in database;
- b. Avoidance of resource duplication;
- c. Monitoring and control of data centre;
- d. Security and confidentiality;
- e. Business continuity and planning;
- f. National level performance monitoring.

The TIN project has a Steering Committee which is vested with formulation of project policy. The committee is headed by the Chairman of FIRS/JTB and composed of nominees from the Federal Inland Revenue Service, representatives from the revenue authorities of Delta, Gombe, Abia, Niger, Katsina and Lagos States. The JTB secretariat is represented on the committee by the Board's secretary and accountant. Other stakeholders with representatives on the committee include:

- a. Federal Road Safety Commission;
- b. Federal Ministry of Finance;
- c. Association of Local Governments of Nigeria;
- d. National Population Commission;
- e. Corporate Affairs Commission;
- f. National Bureau of Statistics;
- g. National Identity Management Commission;
- h. National Security Adviser;
- i. Bureau of Public Procurement;
- j. Central Bank of Nigeria;
- k. Nigeria Finance Intelligence Unit/Economic and Financial Crimes Commission;
- l. Head-Bank Compliance Officers Group;
- m. Minister of Finance;
- n. Nigerian Governors Forum;
- o. Nigeria Immigration Service;
- p. Clerk of the National Assembly;
- q. Nigeria Custom Service.

Manpower Development and Capacity Building

The leadership of the Board made a proposal to President Obasanjo for the setting up of a Nigerian Tax Academy in Abuja with branches in some States of the federation. The proposal required the cost of the Academy to be shared among the Federal Government, States and the Federal Capital Territory. The rationale behind the Academy is to reduce the cost of overseas training of tax officials. The Board further presented two tax courses to the National Council on Establishment for approval as part of curricula for tertiary education. The Board also commenced the yearly holding of preliminary and final inspectors of tax courses. The first batch of final inspectors of tax course participants, 87 in all, chosen from 25 States completed the course in Kaduna in 2006. In 2007, 101 participants from 27 States participated

in the preliminary inspectors of tax course. Through the Board's efforts, the Ahmadu Bello University, Zaria and the Kaduna Polytechnic served as take off venues for the training of course participants. Currently, the programme is being run at the Nasarawa State University, Keffi. The Board is also liaising with the University of Abuja on areas of manpower training for revenue officials. In 2008, the Board also introduced an intermediary taxation course as a foundation course for non-tax officers. The reforms in the curriculum and training modules of the JTB have engendered confidence such that officers of the FIRS now participate in JTB courses.¹²

Further, between 2004 to date, the Board in collaboration with the Federal Inland Revenue Service organised a study tour to South Africa and overseas training for selected tax officials in London, Ghana, Tanzania and Kenya.

Multiple Taxation

It has been earlier noted that the formation of the Joint Tax Board was to provide a framework for consistency and ensure harmony in the practice of income taxation in Nigeria. Closely linked to this objective was need to eliminate the menace of multiple taxation. The JTB has always been at the forefront in the fight against multiple taxation. These efforts led to the passage of the Taxes and Levies (Approved List for Collection) Decree 1998. The decree which is now Cap T2 Laws of the Federation of Nigeria 2004 specifies categories of taxes and levies which all the tiers of government in Nigeria may impose. The Act vests the following taxes in the Federal Government:

- a. Companies income tax;
- b. Withholding tax on companies, residents of the Federal Capital Territory, and non resident individuals;
- c. Petroleum profits tax;
- d. Value added tax;
- e. Education tax;
- f. Capital gains tax on residents of the Federal Capital Territory, bodies corporate and non resident individuals;

- g. Stamp duties on bodies corporate and residents of the Federal Capital Territory;
- h. Personal income tax in respect of members of the armed forces, the Nigeria Police Force, residents of the Federal Capital Territory, staff of the Ministry of Foreign Affairs and non resident individuals.¹³

Part II of the Schedule to the Act vests the following taxes and levies in the States of the federation:

- a. Personal income tax in respect of Pay-As-You-Earn (PAYE) and direct taxation (self assessment);
- b. Withholding tax (individuals only);
- c. Capital gains tax (individuals only);
- d. Stamp duties on instruments executed by individuals;
- e. Pools betting and lotteries, gaming and casino taxes;
- f. Road taxes;
- g. Business premises registration and renewal of registration fees in respect of urban and rural areas as defined by each state;
- h. Development levy (individuals only) not more than N100 per annum on all taxable individuals;
- i. Naming of street registration fees in the state capitals;
- j. Right of occupancy fees on lands owned by the state government in urban areas of the state;
- k. Market taxes and levies where state finance is involved.

Part III of the Act vests Local Government authorities with the following taxes and levies:

- a. Shops and kiosk s rates;
- b. Tenement rates;
- c. On and off liquor license fees;
- d. Slaughter slab fees;

- e. Marriage, birth and death registration fees;
- f. Naming of street registration fee, excluding any street in the state capital;
- g. Right of occupancy fees on lands in rural areas, excluding those collectable by the federal and state governments;
- h. Market taxes and levies excluding any market where state finance is involved;
- i. Motor park levies;
- j. Domestic animal license fees;
- k. Bicycle, truck, canoe, wheelbarrow and cart fees, other than a mechanically propelled truck;
- l. Cattle tax payable by cattle farmers only;
- m. Merriment and road closure levy;
- n. Radio and television license fees (other than radio and television transmitter);
- o. Vehicle radio license fees (to be imposed by the local government of the State in which the car is registered);
- p. Wrong parking charges;
- q. Public convenience, sewage and refuse disposal fees;
- r. Customary burial ground permit fees;
- s. Religious places establishment permit fees;
- t. Signboard and advertisement permit fees.

In spite of the clear provisions of the Act which tax authority is vested with jurisdiction over which tax, the problem of multiple taxation persists. In order to address this problem, the JTB regularly issues communiqués to enlighten the public and taxpayers on their rights and obligations under the law. The Board also engages security and government agencies at all levels to assist in the fight against illegal levies.

In 2010, the Board conducted a nationwide survey on the impact of multiple taxation as it affects livestock, food, fruits and vegetable merchants. The survey made the following findings:¹⁴

- a. Levies are imposed on food items such as yam, cereals, cattle, tomatoes, onions, goats, sheep and fruits;
- b. Illegal checkpoints are mounted on highways in most States of the Federation;
- c. Cattle dealers and foodstuff traders are charged between 18,000 and 30,000 naira at each checkpoint;
- d. Traders meet at least 15 checkpoints along the route before reaching their point of disembarkment and are required to pay at each point;
- e. Traders are forcefully stopped by operators of the illegal checkpoints who normally use wooden planks fitted with nails and iron rods and this goes on 24 hours;
- f. Monies collected are either not receipted or under receipted;
- g. The process of stopping vehicles threatens safety on the highways and the collection of levies sometimes turn violent with operators using dangerous weapons to compel traders to pay;
- h. Most of the operators claim to be staff of States' Ministries of Agriculture and Veterinary or Commerce and Industry or in some cases consultants, contractors or local government;
- i. Designated national veterinary control posts as provided by law are not been complied with, rather officials of State Governments are conducting their own checks on livestock and imposing charges outside the ambit of the law;
- j. Some collectors at these illegal checkpoints operate under the influence of alcohol and hard drugs which makes them prone to violence and sundry criminal activities.

The survey also established that as a direct result of the activities of operators of illegal checkpoints, the following consequences arise:

- a. There is an implied tax of between 200 and 260 percent on prices of food and related items between point of embarkation and the destination. This triples or quadruples food prices and makes the cost of trading unjustifiable;
- b. The situation does not augur well for economic planning as most of these activities are not captured in data that is available to the government, leading to erroneous economic assumptions;

- c. Out of frustration, victims of multiple taxation are threatening to take the law into their hands and this represent a threat to security of lives and property;
- d. The operation of these checkpoints provide uncontrollable environment for corruption.

The Joint Tax Board therefore prayed the National Economic Council to, among other things take the following steps to address the menace of multiple taxation:

- a. Approve that a special committee of governors be set up to recommend practical steps to eliminate the problem of multiple taxation once and for all;
- b. Approve that a joint press conference between the JTB and the Amalgamated Food Stuff and Cattle Dealers Association of Nigeria, AFSCDA, be convened to educate the public on the existing laws of the land, instances violation of such laws, problems faced by the association and the need for the public to rise up against the menace of multiple taxation;
- c. Approve the elimination of multiple taxation as a national emergency and priority action step for the National Economic Management Team and National Economic Council with specific timelines set for achievement.

The Board further recommended that special committee of governors should:

- a. Issue an executive order directing suspension of all levies and charges by state and local governments until ongoing investigation and review is concluded;
- b. Declare the use of consultants/contractors for tax collection as well as collection of levies outside the provisions of the Taxes and Levies (Approved List for Collection) Act illegal;
- c. Direct all state and local governments to stop, with immediate effect, the collection of illegal taxes and levies on highways in Nigeria;
- d. Direct the Inspector General of Police to immediately dismantle all illegal tax collection points on the highways and arrest and prosecute perpetrators;

- e. Ensure the enactment of a statutory framework to centralize collection of taxes required for goods that transit from one State to another to achieve certainty in rates, simplicity in collection and accountability for revenue collected;
- f. Enact revenue codes/laws on charges and levies within the State spelling out what is chargeable in each State and Local Government and exempting inter-State transactions;
- g. Address issues relating to full compliance to existing laws such as the resuscitation of Joint Revenue Committees at the State level; collection of taxes by the FIRS on behalf of local governments in the FCT; States Boards of Internal Revenue to collect taxes on behalf of local governments in the State; law enforcement agencies to dismantle and guard against revenue collection through road blocks and checkpoints.

States Boards of Internal Revenue

States Boards of Internal Revenue as key players of the Board are not left out in the reforms process. Many of the State authorities have reformed their processes including, but not limited to autonomy and automation of collection. The States that have granted autonomy to their revenue authorities include Adamawa, Abia, Lagos and Delta. It is on record that since Lagos State secured its autonomy its internally generated revenue has multiplied from N42.5billion in 2005 to N103.6Billion in 2009 representing a percentage increase of about 243.76% which compared favourably with achievement of 322.95% recorded by FIRS on non-oil taxes over the same period.¹⁵ Similarly, since granting autonomy to its revenue authority, the revenue collection performance of Delta State grew from one billion to two billion in a month. Between July 2008 and June 2009 the total internally generated revenue of Delta State Board of Internal Revenue was 18.9 billion naira. This figure was approximately twice the 9.9 billion naira generated by the Board between July 2007 and June 2008. The figure rose to 23.9 billion in the subsequent fiscal year and the Board anticipates a 35 percent yearly increase for the next three years.¹⁶

Conclusion

The Joint Tax Board occupies a primary place in tax administration in Nigeria. Though not involved in the direct administration of taxes itself, it is a common platform for federal and

State tax authorities. It is for this reason that no meaningful reform in the Nigerian tax system could be contemplated without the buy-in of the Board. Tremendous achievements have been recorded in the areas of capacity building, organisational restructuring and work processes. Going forward, it is hoped that the JTB would conclude on outstanding projects such as the TIN so that the attendant benefits of the project would manifest and other stakeholders can leverage on those benefits to take taxation to the next level in Nigeria.

References

- 1 Section 27 (1).
- 2 Ibid, Section 27 (1) (a) & (b).
- 3 Ibid Section 27 (8) (a) & (b).
- 4 Ibid, Section 27 (8) (c) & (d).
- 5 This is the Personal Income Tax Decree.
- 6 Section 86 (8) Personal Income Tax Act Cap P8 LFN 2004.
- 7 Communique issued at the end of the 121st Meeting of the Joint Tax Board held from 12th to 15th October 2009 at the New Katsina Motel, Katsina State. See Joint Tax Board: Communiqués Issued, Revised up to October 2009.
- 8 Section 86 (10) Personal Income Tax Act Cap P8 Laws of the Federation of Nigeria 2004.
- 9 Unfortunately, these proposals did not form part of the provisions of the Bill to amend the Personal Income Tax Act, which was submitted to the National Assembly in 2004.
- 10 Oral interview with former JTB Secretary Femi Edgal, 5 August, 2011.
- 11 Ibid.
- 12 Ibid.
- 13 Part I of the Schedule to the Taxes and Levies (Approved List for Collection) Act Cap T2 LFN 2004.
- 14 Omoigui Okauru, Ifueko: “Council Notes of Ifueko Omoigui Okauru, the Chairman Joint Tax Board (JTB) on update on Incessant Complaints of Multiple Taxation, Extortion and other Injustices by Livestock, Fruits and Vegetable Merchants to the Meeting of National Economic Council of 15th June 2010 at Aso Rock Villa, Abuja”

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- 15 Bamidele, A. J, “Revenue Collection Performance Trends: Past, Present and Future,” being a presentation at the induction course for new staff of the FIRS September 2010.
- 16 Ibid.

CHAPTER TWENTY FIVE

COMMUNICATING THE CHANGE

Background

Globally, corporate communication is perceived to be the image of an organization which conveys the message of the organization not just to its stakeholders, but the general public with a view to transmitting coherence, credibility and good work ethics. Corporate communication has been defined as “the set of activities involved in managing and orchestrating all internal and external communications aimed at creating favourable starting points with stakeholders on which the company depends.”¹

Prior to the commencement of the 2004 reforms, corporate communication existed in the then Federal Board of Inland Revenue, FBIR, but not in the form it exists today. There was no articulated communications policy or an organisation-wide recognised manual on communication. Corporate communication existed at two levels: media communication and taxpayer education. Media communication was infrequent and was handled by the secretary to the Federal Board of Inland Revenue any time the need arose.² Taxpayer education, which can be described as activities or initiatives aimed at promoting taxpayers’ understanding of policies, processes and guidelines of the Federal Inland Revenue Service was carried out through the periodic issuance of circulars on issues that required clarifications.³ The initiative was usually that of Tax Controllers but occasions such as annual tax conferences also provided avenues for taxpayer education.⁴ In addition, staff of various departments and units provided education and enlightenment to taxpayers as they interacted on a day to day basis. This was especially true in the cases of the Value Added Tax office, Stamp Duties office, Personal Income Tax office Collection Assessment Department and Petroleum and International Tax Division which responded to the enquiries of taxpayers. In 2000, taxpayer education was taken to another level with the introduction of a television programme called

“Tax Matters.” The airing of the programme on 5 July 2000 was the first broadcast media enlightenment programme in the history of taxation in Nigeria sponsored by FIRS to promote taxpayer education. The programme started on NTA 2 Channel 5, Lagos and was later extended to Abuja where it currently transmits on NTA Plus Channel 21. Since inception to date, the programme over 300 episodes of the programme has been transmitted addressing a wide spectrum of tax types and issues.⁵ In spite of this innovation, overall, the Service made limited use of media channels; thereby restricting platforms upon which tax issues could be engaged and placed on the front burner of national discourse.

The New FIRS and Corporate Communication

The implementation of the reform agenda made it necessary to review the manner and nature of communication processes in the organisation with a view to systemizing and aligning with global best practices, informing, educating and enlightening stakeholders and the general public on taxation and tax matters. This required developing communication policies, procedures and structures that can drive forward the corporate image of the Service. The main focus was, and still is to communicate the right information at the right time to the targeted audience (staff, stakeholders, taxpayers and the general public) and in turn, generate goodwill and understanding; achieve institutional cohesion and also promote voluntary compliance.

The ball was set rolling with the creation, in 2004, of a Corporate Communications Unit. The unit was introduced during the Enlarged Management Meeting in 2004. The unit was a direct report to the Executive Chairman and the late Mr. Simon Christopher Yau was appointed as its head, with Mr. Ogbuagu Anikwe as the in-house consultant. Reports from major institutions like the International Monetary Fund, IMF that played advisory roles in the tax reform programme in 2004 emphasized the inadequacy of taxpayer education services and stressed the need for it to be given more attention in order to improve tax revenue generation in Nigeria. The IMF Mission specifically stated that:

Taxpayer services and education is inadequate and in need of greater attention through a special area within FIRS. In order to encourage voluntary compliance, taxpayers need to be aware of why they should pay taxes, what taxes should be paid, and when and where they should be paid. For this purpose, many revenue administrations have organised awareness raising campaigns using

both the electronic and print media. Where there is a serious compliance problem, awareness has been extended into the schools system by incorporating taxation modules in school curricula even from the primary school level.⁶

Consequently, Corporate Communications Unit was merged with Taxpayers Education Service Unit in 2005 and was re-named Corporate Communication, Taxpayers Education Services Unit (CCTPES). The restructuring was aimed at positioning the organisation to properly publicize, educate and enlighten the public using mass media communication channels. Mr. Ogbuagu Anikwe succeeded Mr. Simon Christopher Yau as the unit head upon the latter's demise in 2005.

In 2006, just one year after it was merged with the Corporate Communication Unit, the responsibility for taxpayer education service was transferred to the Regional Coordination and Large Taxpayer Departments. The reasoning behind this restructuring was that taxpayers cannot only be educated from the headquarters. It became essential to regionalize the functions of taxpayer education service in order to reach out to all taxpayers. This change necessitated the renaming of the unit once more as Corporate Communications Unit. The focus of the restructured unit was media engagement. In April of 2006, the Corporate Communications Unit started media monitoring and environmental scanning. This involved keeping track of all tax related issues in the media. In addition, the unit supported two national newspapers, *ThisDay* and *Business Day* in the publication of tax sections. Other initiatives taken by the unit included:

- a. Monitoring the production and airing of *Tax Matters* to ensure good production and programme content;
- b. Development of an Education and Marketing plan for Project FACT;
- c. Organization of Town Hall meetings, placement of adverts, anchoring of FIRS events and production of bulletins;
- d. Publication of FIRS News, an in-house bi-weekly newsletter that communicates to staff about developments within the Service;
- e. Anchorage of the launching of the FIRS logo in April, 2007.

In 2007, the Executive Chairman of the Service created three sub-units under the Corporate Communications Unit which helped to drive forward the activities of the unit. The sub-units were as follows:

- a. FIRS in The News – This sub-unit was responsible for tracking all FIRS and tax news on the television and radio and sending their findings to the relevant functions/groups in the Service.
- b. Newsletter Desk – The sub-unit was responsible for the publication of FIRS newsletters and bulletins.
- c. Administration – This sub-unit gave administrative support to the Unit.

In spite of these series of restructurings and reforms certain challenges were identified that caused drawbacks on optimal performance. Some of these challenges included:

- a. Inadequate definition of the role of the unit in the Service;
- b. Inadequate staffing in terms of number and quality;
- c. Poor structures to support functional areas;
- d. Ineffective business processes;
- e. Poor communication channels which made timely notification of Service programmes to unit difficult.

In April, 2008, a two-day retreat was organised at Nikon Luxury Hotel, Abuja for the staff and some members of Management to discuss the expectations of the Corporate Communications Unit. The participants at the retreat noted the challenges affecting the unit and came up with recommendations that will help the unit to effectively project the image of the Service. The recommendations put forward by the retreat participants were as follows:

- a. Corporate Communications Unit should be headed by a Director and function as a direct report to the Executive Chairman.

- b. Taxpayers Education Services should revert to Corporate Communication Unit while other duties like Protocol and Relationship Management, Research and Data collection should be added to it.
- c. Professional staff should be added to strengthen the unit and while more staff should be trained to enhance performance.
- d. Corporate Communication Unit should collaborate with relevant external media practitioners where necessary.
- e. The Unit should establish mutually beneficial relationships with MDAs, financial institutions, international donor agencies and other external stakeholders.
- f. The unit should develop clear set and budgeted targets with performance time lines to benchmark plans and targets.

The implementation of the retreat recommendations started in August 2008, with the merger of SERVICOM unit and Taxpayer Education Services and their integration into the Corporate Communications Unit. In February 2009, Corporate Communication Unit was upgraded to a fully fledged department with a direct report line to the Executive Chairman. Mr. Etim Bassey was appointed the acting director until March 3 2010, when Mr. Valentine Akeredolu succeeded him as the acting director. Mr. Akeredolu handed over to Mr Wahab Gbadamosi in November 2010. In March 2011, Mr. Emmanuel Obeta was appointed as the first substantive director of the department. The department has been given a triple mandate to:

- a. generate understanding and public goodwill for the Federal Inland Revenue Service in a way that makes it convenient for taxpayers to discharge their obligations;
- b. generate understanding and buy-in by stakeholders, the public and private sectors for the FIRS;
- c. promote both inter-Service and intra-Service understanding of all pertinent issues

In order to actualize its mandate, the department has been vested with the following roles and responsibilities:

Roles

- a. Liaising between FIRS and the public using strategic and coordinated communication processes/activities;
- b. Ensuring efficiency in taxpayer education and effective dissemination of tax information to targeted recipients;
- c. Identifying, establishing and maintaining mutually beneficial relationships with all FIRS stakeholders/groups through tax information and knowledge sharing;
- d. Providing timely and appropriate information/communication services to taxpayers that promote pro-tax behaviour;
- e. Preserving for posterity available and relevant tax information records and artefacts;
- f. Creating and sustaining professional and social contacts with internal and external stakeholders.

Responsibilities

- a. Conceptualisation, design and production of messages relevant to taxation in partnership with other departments and professional groups;
- b. Identification of existing communication channels, content, patterns and behaviour and proactively filling gaps in tax information;
- c. Positioning and performing as linkage between FIRS, its internal and external publics in the quest to achieve harmonious communication relationships;
- d. Liaison with all arms of government particularly the legislature, Executive and the Judiciary for the promotion and institutionalisation of taxation;
- e. Tracking, monitoring and reporting all FIRS information activities in their internal and external implications for service efficiency.

The drivers of the above roles and responsibilities are the four units of the departments. These units are:

- a. Protocol and Relationship Management;
- b. Channels Management I;

- c. Channels Management II;
- d. SERVICOM;
- e. Administration.

Protocol and Relationship Management

This unit combines two broad functions namely protocol and relationship management. The Protocol Sub-Unit took over duties that were formerly performed by the Office Manager located in the Chairman's office. The sub-unit is responsible for the organization and arrangement of procedures and processes that guarantee smooth operations of the Service. Specifically, the sub-unit is responsible for:

- a. Processing of visas, international passports and purchasing of air tickets for officers of the Service;
- b. Liaison between FIRS and the Federal Ministry of Foreign Affairs on protocol matters;
- c. Liaison between FIRS, embassies and foreign missions;
- d. Hotel reservation for official visitors.

The relationship management function is responsible for ensuring timely and effective flow of information among internal staff of the Service on the one hand and external stakeholders on the other hand. The sub-unit is further divided as follows:

- a. EC/FIRS Team- This section comprises of protocol officers, photographers, camera men and staff responsible for the press. They accompany the Executive Chairman to all social and official events to provide adequate protocol and publicity. They work with protocol officers to ensure visa procurement, documents and collateral for official travels for the Chairman.
- b. Internal/Domestic Relations- The section coordinates and manages all FIRS events and handles compeering of both social and official events. They record events for posterity and disseminate to relevant stakeholders, deliver news releases on events and manage relationship between FIRS management, the unions and staff.
- c. External/Domestic Relations— The section harmonizes all National/State Assembly programmes and manages relationships with parliamentary offices in cooperation

with the SERVICOM unit in each state. They help boost relationship between FIRS and members of the National and State Assemblies, Ministry of Finance, the Judiciary and their staff.

- d. International Relations- This section synchronizes the relationship between the Service and its international partners and it performs this function in conjunction with the protocol section.

Channels Management Unit

Channels Management Unit was established for the purpose of enlightening the staff about the latest developments in the Service and about taxation. It ensures information flow from and to all ranks in the Service and guarantees internal and external communication. The Unit has several communications approach like news bulletins, media/press briefing, news clippings, information circulars, television tax programmes, corporate social responsibility and radio programmes for internal and external communications. The diverse channels of the sub-unit led to its grouping into Channels Management I and Channels Management II for effective functioning. Recently, three new sections, Student Tax Advocacy Initiative (STAI), Tax Museum and Newspaper Insert and Design were added to Channels Management Sub-Unit.

Channels Management I

Channels Management is responsible for four functions namely Students Tax Advocacy Initiative, tax museum, web site management and publications.

- a. *Student Tax Advocacy Initiative (STAI)*: It is an initiative introduced to FIRS by the Society for Youth Empowerment in Nigeria, SYEN in 2008. SYEN is an NGO which has been labeled “educating Secondary School Students about tax”.⁷ It is designed to enlist students between the ages of 7 and 25 years as advocates for tax in order to ‘catch them young’.⁸ The justification of the programme is for students, at very young age to understand the role of taxation in achieving sustainable development in the country. The programme started with three participating schools in FCT namely Model Secondary School, Maitama (which was later replaced with Kingsville College, Gwarimpa) Federal Government Boy’s College, Apo and Catherina International Academy, Dutse.

The lead project included workshops and in-school training organized specifically to broaden the understanding of the students about taxation, its practice and importance to the growth of the nation. STAI has been registered as a club with the Corporate Affairs Commission under the name “Student Advocate for Tax, SAT. It has its board members, committees, vision and mission statements, core values, logo and creed. The aim is to institutionalize and replicate it in the 36 states of the federation and establish it in 120 schools between 2010 and 2012 across the three educational cadres with at least 20,000 club members. STAI is on the verge of collaborating with the Federal Ministry of Education to spread its activities to 109 unity schools nationwide to increase the reach and effectiveness of the programme. The collaboration between the Corporate Communications Department and STAI is part of the FIRS’ continuous enlightenment activities and educational campaigns; with the exception that this particular initiative has the youths as the target audience. Another similar initiative witnessed collaboration between the Service and the National Youth Service Corps, NYSC, resulting in the establishment of NYSC Tax clubs and FIRS/NYSC Community Development Service (CDC) groups.

- b. *Tax Museum:* The FIRS tax museum was introduced in 2008 and its structure was laid by the former Head of Channels Management I, Ms Jumoke Simplice. The museum is intended to serve as an establishment that acquires, collates, preserves, conserves, researches, communicates and exhibits the tangible and intangible legacy of tax administration in Nigeria. The FIRS museum is projected in two places: Lagos and Abuja. The Lagos office is located at Agidingbi, Ikeja while the Abuja office is located at FIRS headquarters, Revenue House, Zone 5, Wuse, Abuja. The building to house the FIRS Tax Museum is still under construction but a memorandum of understanding has been signed between the Service and the National Commission for Museums and Monuments for the latter to offer support to the former in setting up the museum. Selected staffs of the Corporate Communication Department are being trained to enhance skills and capacity in the management of the museum.
- c. *Website:* The website sub-unit was initially domiciled in the ICT Department but it was not very functional. In 2004, during the reforms, it was removed from ICT and taken to the new Corporate Communications Unit where its functions were more comprehensively stated. The website was re-designed by the website sub-unit and

ICT Department. The sub-unit works in conjunction with the ICT Department on the management of the FIRS web site. While the department manages the technical aspect of the site, the sub-unit manages the site content and administration. The contents are obtained from the sources from the Tax Operations Group, Field Operations, Processes and Programmes Department, Tax Policy Department and other relevant sources. The main function of the website is to reach out to the world at large, educate the general public and staff about taxation, the activities of FIRS and inform them about new developments in the Service. The website disseminates information through such links as news links, press releases/e-mails, uploads and videos. There information on the website covers a wide spectrum of issues such as self assessment, tax clearance, self employment, tax benefits, tax forms, PAYE deductions, tax incentives, companies' income tax, petroleum profits tax, value added tax, other taxes, waivers and incentives, tax treaties, tax havens, residents, tax collecting banks, foreign investors agents and consultants. Other issues include briefs on Project FACT, FIRS online registration, refunds, incentives, tax offices, pay-direct, copyright registration, publications and other sundry issues.

- d. *Books and Publication:* This sub-unit encompasses the three channels of taxpayer education which include the FIRS magazine "Gauge", the FIRS Newsletter and the Staff Bulletin. The sub-unit existed as the "Newsletter Desk" during the era of Corporate Communications Unit. At that time, it did not publish any magazines but only published staff bulletins and newsletters. The Gauge magazine published by the sub-unit today is an internal communication channel which was introduced as a source of information for staff and stakeholders' enlightenment on the developments in the Service. It is a quarterly magazine that captures the various activities/events of the Service in a quarter and other tax or Federal Government events. There are officers, camera men and photographers assigned to cover these events in order to get the right information. The Newsletter is an external communication channel meant for educating the taxpayers on the activities of, and developments in the Service. It provides relevant information of where, when and how to pay tax and also informs them of new services or changes in the Service. The Staff Bulletin is an internal communication channel meant only for staff. It is bi-weekly and is sent via e-mails to the staff. The bulletin enlightens the staff of the activities and developments in the Service including issues bordering on staff welfare.

Channels Management II

Channels Management II Unit is responsible for three functional areas namely style and media management, multi-media design and production support, and newspaper insert and design.

- a. **Style and Media Management:** Media management activities were performed by the Office of the Board Secretary before the establishment of Corporate Communications Unit in 2004. After the establishment, the functions were moved to CCU and it became a sub-unit known as FIRS in the News. The functions were tracking of FIRS and tax news in the national newspapers, television and radio. When CCU became a department, style auditing and branding were introduced to the department and the functions were given to the sub-unit formerly known as FIRS in the News. This resulted in re-naming of the sub-unit to Style and Media Management sub-unit. The functions were added to achieve uniformity and branding of the Service. The sub-unit brought about the uniformed colours for FIRS, letter headed papers, call cards, signage and also participated in the launching of FIRS logo. This function is also responsible for developing educational materials for taxpayers and the design of fliers.
- b. **Multi-Media Design and Production Support:** The need for taxpayers' enlightenment brought about this function in 2007. The function encompasses channels of taxpayer education which are Tax matters, television, radio jingles and drama presentations. This involves monitoring the production and airing of Tax Matters on radio and television and production of TV and radio dramas on tax matters, production of enlightenment jingles in different languages and production of animations to communicate tax issues.
- c. **Newspaper Insert and Design:** This sub-unit was introduced in 2010 to aid the campaign on fake and forged Tax Clearance Certificates. The idea is to publicise the trials and conviction of accused persons involved in the forgery of Tax Clearance Certificates through newspaper advertorials/inserts. Such publicity is intended to serve as a deterrent to would-be criminals and inform taxpayers of the risks in forging Tax Clearance Certificates.

Servicom

SERVICOM has already been discussed in detail in Chapter Nine in terms of setting standards in taxpayer services. As a unit in the Corporate Communications Department, SERVICOM Unit is divided into three sub-units namely Programme Development, Monitoring, Evaluation and MIS; Customer Relations and Complaints; and Taxpayer Education, Policy and Strategy.

- a. *Programme Development, Monitoring, Evaluation and MIS*: This sub-unit develops, evaluates and monitors the programmes and policies of the Service as entailed by the SERVICOM Charter. They implement quality service delivery to the general public. The MIS collects analyses, processes and reports business data/trends to the Management of the Service for decision making and builds communication channels to enhance organisational relationship among departments and units for effective taxpayer service.
- b. *Customer Relations/ Complaints*: The sub-unit ensures that customers' needs are seen to by answering their enquires, providing solutions to problems, taking care of complaints, giving feedback and other functions necessary. The aim is to create satisfaction among customers in order to enhance voluntary compliance and also expand the tax net.
- c. *Taxpayer Education, Policy and Strategy*: This sub-unit articulates education needs for taxpayers, prepares manuals, brochures and circulars for field officers, provides content of sensitization programmes for improved service delivery and content of taxpayers' education process for publicity by department. The sub-unit also assists in the formulation of taxpayer education policy and also identifies the most effective channels for taxpayer education; collaborates with Style and Media Management sub-unit to provide educative and informative materials to taxpayers and also provides content of taxpayers' registration processes for publicity by CCD.

Administration

This unit is responsible for the processing of supplies, overheads and financial requirements of the department. The unit also supervises the operation of the department in terms of paperwork and movement of files; collaborates with the Learning and Development

Department to organize trainings for staff; and also organizes bi-technical sessions as well as departmental lectures for the department.

FIRS REBRANDING

Branding is a way of clearly highlighting what makes your product or service different from and more attractive than, your competitors.⁹ Branding is about getting your prospects to see you as the only one that provides a solution to their problems.¹⁰ It involves the use of a brand name, term, sign, symbol or design, or a combination of them intended to identify the goods and services of one seller or group of sellers and to differentiate them from those of other sellers.¹¹ The benefits of branding to an organisation include:

- a. Clarity in the conveyance of an intended message;
- b. Confirmation of product credibility;
- c. Connection with consumers and prospective customers on emotive level. Consumers tend to choose products and services using emotions as well as pragmatic judgements;
- d. Motivation of prospective customers;
- e. Concretization of loyalty among existing customers.¹²

The pre-reform identity of the Federal Inland Revenue Service was substantially subsumed into that of the larger civil service. The Service's documents were however, identifiable by its three colours: green, pink and yellow as well as a logo. The logo consisted of a bold circular green with the letter "E"¹³ in the middle and the Nigerian coat of arms on top. The Service's logo and colours as aforementioned were limited to materials such as letter heads, envelopes, complimentary cards, file jackets and calendars.

The approval, on 13 August 2004, by the Federal Board of Inland Revenue that the reform proposals arising out of the harmonised reports of the Study and Working Groups on the Nigerian tax system be implemented to transform the Federal Inland Revenue Service into a vibrant, modern tax agency necessitated the creation of a vibrant and visible brand that would be instantly recognizable to the public.¹⁴ The re-branding campaign started with the unveiling of a new logo. The FIRS branding campaign was driven by the desire to achieve the following objectives:

- a. The creation of a strong and viable corporate identity for FIRS;
- b. To ensure that there is uniformity in the manifestation of FIRS corporate identity in all FIRS locations. This was to ensure that offices and collaterals do not vary by locations;
- c. To input in staff the imperativeness for and of a brand culture for FIRS as well as the fact that branding of FIRS is a collective responsibility.

The New FIRS Logo

The term logo is derived from the Greek word *logotipos* meaning a graphic element, symbol, or icon.¹⁵ A logo is a trademark or brand set in a unique typeface and designed to cause immediate recognition by the viewer as belonging to a particular organization. The logo is one aspect of the brand of a company or economic entity, and the shapes, colours, fonts and images are usually distinct from others in a similar market. Logos may also be used to identify organizations or other entities in non-economic contexts. A logo is an iconic symbol designed to uniquely represent a company, organization, product, service, and sometimes certain places. The uniqueness of a logo is often necessary to avoid confusion among clients, suppliers, users, affiliates, and the general public. To the extent that a logo achieves this objective, it may function as a trademark, and may be used to uniquely identify businesses, organizations, events, products or services.

The background to the emergence of the new FIRS logo was the participation of the Service in major trade fairs and Town Hall meetings around the country. This was aimed at improving the visibility of the Service nationwide. Through these interactive sessions the changes being undertaken were communicated to members of staff, taxpayers and other stakeholders generally. Although these sessions enhanced FIRS' visibility, it also became necessary for the Service to launch an iconic message that would guarantee instant recognition and be identified with the new drive to reposition itself as a modern tax agency built on professionalism, transparency and service delivery. Closely connected with these objectives was the need to convey the new business mantra which focused on taxpayer needs and anchored on the values of professionalism, integrity and efficiency.

On Thursday, 12 April 2007, a media briefing was conducted by the FIRS where, in the company of LTC/JWT Consultants, the Service explained why the FIRS was re-branding

and why a new logo was being launched. The Chairman of the Federal Inland Revenue Service explained the rationale behind the re-branding exercise thus:

Any organisation engaged in persuading other organisations and individuals to sustain the polity with a fraction of their resources may not ordinarily expect to win a popularity contest. With the greatest understanding of the issues involved in taxation, people would develop a feeling of ownership rather than “us-versus-them” attitude. The mass media has been playing, and should continue to play, an important role in taxpayer education. Going hand-in-hand with taxpayer education is the re-branding of the FIRS, the most visible aspect of which will be the launch of its new corporate logo. Re-branding and the campaign that will follow will demystify the issue of taxation and educate stakeholders. Beyond the logo launch, we invite the mass media to continue to positively exercise their social and constitutional responsibility in this crucial area of creating further awareness over tax issues. The new logo aims to make a school child to say ‘hey mummy, see the FIRS’. The other aspect of re-branding is to create association between tax and what taxes are used for.¹⁶

On April 17, the new logo was formally launched and unveiled by the Minister of Finance. Other dignitaries in attendance at the ceremony included the Secretary to the Government of the Federation, Chief Ufot Ekaette who represented the President, the representatives of the Ministers of Housing, Interior, Federal Capital Territory, the Inspector General of Police, Comptroller General of Customs, Comptroller General of Immigration Service, Directors General of National Agency for Food and Drugs Administration and Control, Bureau of Public Enterprises, Security and Exchange Commission, News Agency of Nigeria, State Security Service, and the Small and Medium Development Agency of Nigeria (SMEDAN). Other guests included the representatives of the World Bank, National Economic Management Team, past Chairmen of FIRS, Mr. J.K. Naiyeju and Mallam Ballama Manu.

The new logo consists of the acronym “FIRS” with the full name “Federal Inland Revenue Service” scripted in a half circular arc to the right of the acronym. On top of the second letter of the acronym is the coat of arms of the Federal Republic of Nigeria. The acronym is presented in grey colour while the full name and the lower tip of the “R” in the acronym

are presented in red. The FIRS Chairman explained that unveiling a new logo was an indication that the Service was repositioning itself to be a more efficient organization, with professionalism as its driving force and where integrity would no longer be compromised. The Chairman further explained the adoption of the new colours of grey and red thus:

Grey: Grey shows intelligence, conservatism (trust) and orientation to business. These primarily capture the essence of FIRS.

Red: Red is a very active colour, which can be effectively used for stimulating people, motivating them for action and achieving results. It also projects power. The new anthem for FIRS was also played at the logo launch while samples of FIRS stickers and adverts were also displayed. The Minister of Finance who was represented by the Minister of State for Finance, Engr. Elias Mbam told the audience that FIRS' success story demonstrated the reality, relevance and success of the Federal Government policies and reform agenda. He re-stated the Federal Government's determination to create a conducive environment for all its agencies in the expectation that other agencies of government will be challenged to join the vanguard of national regeneration efforts. A drama presentation portraying the brutality of a tax collector in 1967 in contrast to the taxpayer friendly FIRS of 2007 earned applause from the audience. Essentially, the re-branding of the Service involves three interwoven iconic elements; namely the logo, the colours and the corporate typeface. The logo and colours are as described above. The corporate typeface adopted by the Service is Century Gothic Omega. In the absence of this, Arial can be used for body text and can also be used for emphasis.¹⁷ The rules governing the use of the FIRS logo are as follows:

- a. It should appear on white background;
- b. It should be produced in black and white and should only be applicable to memos or other internal communications;
- c. It should never appear in any colour other than its corporate colours;
- d. It should be surrounded by as much space as possible, for maximum clarity and impact;
- e. It should only be used horizontally or vertically, never at an angle.¹⁸

The re-branding witnessed some hiccups included:

- a. Delay in processing branding exercises and projects;
- b. Constant change in the headship of the Corporate Communications Department; the department responsible for driving the branding of FIRS;
- c. Failure of contractors to adhere to specifications relating to colour, font type, etc.

Despite the challenges, the branding exercise has achieved:

- a. Uniformity in branding of FIRS buildings. This has been achieved with the painting of the building with a uniform colour as well as the design of proto-type building;
- b. Compliance by Abuja and Lagos offices with the standard set for collaterals, FIRS flag, bill boards, notice boards, window blinds, etc.

Going forward, the following actions are required to achieve optimal success in the re-branding campaign. These include:

- a. The need for a brand liaison officer in every region;
- b. Centralisation of production of T-shirts, roll-up banners, letter heads, postage envelopes and stationeries;
- c. Establishment of a procedure to ensure compliance with the specification for any job relating to the FIRS brand.

Communication Channels

These include the various channels or media by which information is conveyed to internal and external stakeholders of the Service. For information meant only for internal stakeholders, emails, short message service and circulars are the usual channels of communication. Other channels of communicating to both internal and external stakeholders include:

- a. News Letters
- b. Gauge Magazine

- c. FIRS news bulletin
- d. Town hall meetings
- e. Stakeholders meetings
- f. Electronic Media

News Letters

The absence of proper medium of information dissemination in the Service resulted to rumour mongering among staff. This informed the commencement of the publication of a news letter. The first publication came out in March, 2007 under the leadership of Mr. Bawa S. Mokwa. It was a monthly publication and a major milestone in the dissemination of information among internal stakeholders. The news letter used to be manually printed from office printers and distributed to staff in headquarters and field offices. It was a medium used to reach out to members of staff on Management decisions and social activities in the Service. After observing the useful purpose which the newsletter had served, the Management of the Service decided the publication deserved to be upgraded. This brought about the consideration of a befitting magazine for the Service. Thus, a committee was set up to fine-tune a name for a magazine. After much deliberation, the ECFIRS selected GAUGE as the name for the magazine. That was how the news letter metamorphosed into Gauge magazine.¹⁹

Gauge Magazine

The Gauge's main focus is to inform staff on their activities and responsibilities to the Service as well as the expectations of members of staff from the Management, on quarterly basis. Channels Management I unit of Corporate Communications Department was saddled with the responsibility of the magazine's publication. Its first publication came out in December, 2008 with a captivating caption "Our Expectations from FIRS."²⁰ The second publication for January to March, 2009 came out with another appealing caption "FIRS Set for Online Payment."²¹ The subsequent captions, "Da Real TIN" and "Tax Clearance Certificate, A Beginners Guide" came out as the second and third quarter publications of 2009 respectively. The Fourth quarter of the year's publication extended its tentacles to inform both the staff and the taxpayers on the Service's move to collaborate with other stakeholders to achieve maximum revenue collection for national development. Hence, the

publication was titled “Bonding with Stakeholders.” This marked a giant step in GAUGE as a medium of educating taxpayers.

The first quarter for 2010 came out with the caption “National Tax Policy.”²² The second quarter publication “Coalition against Multiple Taxation”²³ provided the readers with interesting and educative stories. The third quarter publication came out with the caption “Voluntary Tax Compliance”²⁴ while the special edition in January, 2011 captioned “FIRS Transition: Towards a 21st Century Agency.”²⁵ All these publications are highly informative and educative not just for internal stakeholders for whom the publication was started but for taxpayers as well.

FIRS News Bulletin

In 2009, the newsletter resurfaced again with the name FIRS News Bulletin, but because there were few hands to manage it and the Gauge magazine, its publication could not commence in earnest. However, the recruitment of new staff in November 2010 provided enough hands to manage the production of the news bulletin which is now ceded in the books/publications sub-unit of Channels Management I.

The news bulletin is designed to disseminate information to internal stakeholders that must not wait to be published in Gauge magazine. The first edition was a test run copy which was not published. The second edition was published in October 2010 with a focus on the induction of both old and new FIRS Staff. This was followed by the third and forth editions in November 2010. The fifth and sixth editions came out in December 2010 with the captions “Okauru Commissions ICT Center in Kingsville College Gwarimpa”²⁶ and “Nigeria Can Achieve Vision 20:2020” respectively. The 7th edition published in January, 2011 was captioned “FIRS Sues Union Bank over 17.3 million Funds Diversion”²⁷ while the 8th edition that came out in February 2011 was captioned “EMM: Finance Minister Commends FIRS... Management Plans To Enhance Compliance Level.”²⁸

The successes recorded so far are enormous; staffs are better informed about social activities around them, like weddings of colleagues, birthdays and deaths. In addition to the newsletter, news of such events is also communicated via emails and phone messages. This has improved attendance to such events and has brought about good management/staff relations.

Town Hall Meetings

Town hall meetings, otherwise known as the ECFIRS town hall meetings with staff was first held in June, 2005.²⁹ The name draws from the fact that the idea of town hall meetings is the initiative of the Executive Chairman Federal Inland Revenue Service, Ifueko Omoigui Okauru. The objectives of the town hall meetings are as follows:

- a. To provide an interactive session between the ECFIRS, Management and staff of the Service;
- b. To provide a medium for members of staff to sound out the thinking of Management on a broad spectrum of important issues relevant to their welfare and expectations;
- c. To provide an opportunity for Management to communicate its own expectations to members of staff.

The meetings are guided by a set of conventions which include:

- a. No formal speeches;
- b. Introductory remarks by the ECFIRS to set the tune for the meeting;
- c. Staff are encouraged to express their expectations and aspirations;
- d. It is an open ended session;
- e. Participants are given the opportunity to write down their questions and comments in order to save time;
- f. Staff may make spontaneous contributions;
- g. The attendance cut across all cadre of staff in the Service;
- h. Management also communicates its own expectation to staff;
- i. There are usually follow-ups on all issues raised in these meetings.

In January 2009, the ECFIRS and the Management directed the CCD to jointly hold the Town Hall Meetings alongside the Regional Enlarged Management Meetings (REMM) to reduce cost. The town hall meetings usually come as the second session of the REMM and comprise all cadres of staff in that region. The regional town hall meeting which comprises of all the eight regions and the FCT usually starts in March and is held once in a month for

each region throughout the year. Since inception, town hall meetings have provided avenue for:

- a. free expression of opinions by lower cadre staff without fear of sanctions;
- b. the Management to be exposed to the reality in the field offices;
- c. some outstanding staff to be recognised through conferment of awards;
- d. initiation of projects as outcome of meeting deliberations;
- e. initiation of certain remedial measures such as addressing gaps in training needs.

Stakeholder Sessions

The External Relations Sub-unit of the Protocol and Relationship Management Unit in the Corporate Communications Department was created, in 2008, to coordinate the activities of external stakeholders of the Service.³⁰ The mandate given to the sub-unit was to breach the gap that existed between the stakeholders and the Service. This was to be achieved through all possible ways that can foster better working relations which will improve tax administration in Nigeria. Some of the activities anchored by the unit in furtherance of this objective include retreat for the Senate and House of Representatives Committees on Finance, courtesy calls, congratulatory messages to individual stakeholders on appointments, good will messages to retirees etc. The Service also attends functions like birth day celebrations of stakeholders. Recently, the Service through a representative attended the birthday celebration of former President Olusegun Obasanjo.

Stakeholder sessions have been formalized by making them part of the quarterly Regional Enlarged Management Meetings, just like town hall meetings. The REMM which features technical presentations comes first, followed by the Town Hall meeting between the Management and employees of the Service within the host region and closes with the stakeholder session which includes the FIRS Management, staff and sundry categories of other stakeholders such as taxpayers, tax consultants and professionals within the region.

Electronic Media

The most important FIRS e-media communication platform is the television programme, Tax Matters, which features all important FIRS activities while educating the general public

on tax issues. The main objective of this is to enlighten the taxpayers through broadcasting of FIRS activities on electronic media. The need for innovation brought about the introduction of personality interviews which involves the Executive Chairman FIRS, Ministers and Heads of Parastatals. It is a kind of scorecard where the aforementioned personalities do not only address topical issues relating to tax but also enlighten the public on the use to which tax revenue is put. The “Tax Matters” programme is discussed in greater detail in the next segment of this chapter.

The second e-media channel of communication is the docu-drama project which combines both audio and visual media (radio and television) to propagate the message of the tax reforms. A consultant, Quest Communications Ltd was awarded a contract to produce the project design. A letter of engagement was given to the consultant on 31st August, 2009. A script writers’ conference through which FIRS inputs were made available for the production came up between 26th and 28th October, 2009. The request for support services from the consultant received the approval of the CD/TOG on 31st march, 2011 while the approval for twelve episodes of the project was approved and payment was made on 22nd December, 2010. The production meeting/auditioning and review of the pilot episode was held between 6th and 8th April, 2011.

Tax Matters

On 11 May, 2000, a media and public relations firm, Dew Ventures Ltd presented a proposal to the Chairman of the Federal Board of Inland Revenue, FBIR, to air a weekly programme designed solely for tax issues on Nigeria Television Authority NTA 2, Channel 5, Lagos under the programme name “Tax Matters”.³¹ Although arrangements for the airing of the programme had been made, sponsorship was a major challenge as all Television stations in the country had been commercialized. All institutions in the taxation sector like States’ Boards of Internal Revenue, Joint Tax Board, Education Tax Fund, Chartered Institute of Taxation of Nigeria, Federal Board of Inland Revenue and collecting banks were approached with a proposal for sponsorship. The FBIR demonstrated commitment to sponsor the programme and was given options for the sponsorship options as follows:

- a. Sponsorship of Tax Matters for a quarter of 13 episodes based on agreed prices for production and airtime. Under this arrangement, the FBIR would have the opportunity to use time on the programme for its activities from week to week. The role of the

FBIR would also be acknowledged at the beginning and the end of every weekly episode;

- b. Release a lump sum as FBIR's contribution to Tax Matters and the development of taxation in Nigeria. This could take the form of sponsorship of a number of episodes.³²

Eventually, the FBIR entered into an agreement with Dew Ventures Limited to sponsor the programme for a period of time.

The programme was first aired on 5 July, 2000 on NTA 2, Channel 5, Lagos. It was anchored by Mr. Muyiwa Matuluko, the Chief Executive Officer of Dew Ventures Limited and sponsored by the FBIR.³³ It was the first broadcast media enlightenment programme in the history of taxation in Nigeria and a major and deliberate effort to promote taxpayer education by the revenue authority. After the first quarter of the programme, the Management of FBIR saw the benefits and rich contents of the programme and decided to extend it to Abuja, the seat of government. As a result, the broadcast of the programme was extended to NTA Abuja, Channel 5 in order to convey the FBIR message to Abuja and its vicinity. In December 2002, the transmission of Tax Matters within Abuja and its environs was moved to NTA Plus, Channel 21. Payments for the programme to the stations were made through the independent producer, AmyMAT and Company Limited.³⁴

When the Procurement Department was established in 2005, the producers of Tax Matters were required to go through the procurement process to secure a legal agreement from the Service. The agreement was signed in June, 2006 between FIRS and AmyMAT & Company Limited. In 2006, it was decided that Tax Matters should be transmitted nationwide on NTA. The Procurement Department processed the proposal which was submitted to Management to this effect. Payments for two quarters were made to NTA directly and this marked the beginning of the practice of direct payment to broadcast stations while the producer was paid production fees only. However, the nationwide broadcast did not start until January, 2007. The programme was scheduled by NTA Management to broadcast from January–June, 2007 at 11 am every Tuesday and from July–December, 2007 at 12 pm every Friday. A second agreement was signed in 2007 between FIRS and the producer to cover payment of production fees only as the broadcast fee was paid directly to the network service.³⁵

The timing of the broadcast did not fall within prime time and therefore, the programme did not yield the anticipated results as it was not capturing the attention of the public. In 2008, the producer wrote a proposal to the FIRS Management to syndicate the programme. The approval for this was delayed and as a result, Tax Matters was not aired between January and June 2008. Before approval was granted, the Board Secretary was asked to liaise with Regional Coordinators and Tax Controllers to determine their view of the programme, its impact and areas of improvement. After the meeting, it was suggested that relevant television stations and radio stations be included for the airing of the Tax Matters programme in order to broaden outreach. In June 2008, the Management approved the broadcast of Tax Matters on television and radio stations nationwide. Today, Tax Matters is being broadcast on AIT and NTA in 18 States and on 12 radio stations.

Tax Matters was conceived as a forum for tax administrators and taxpayers to exchange ideas. It was also designed to rectify the friction between the public and the government on tax issues due to lack of information. It was the first effort made to promote taxpayer education in FIRS on television. It was also planned to remove “boredom” from the subject of taxation. Over 300 episodes of Tax Matters have been aired and through this effort, taxation has become a public discussion. The public has been enlightened through the discussion of vexatious issues and questions in a language that is easy to understand. All FIRS activities and its relationship with sister agencies such as the Joint Tax Board, JTB have been publicized. Tax Matters has also enlightened the public on how the government uses the collections from taxpayers. This has been made possible through interviewing of government officials on the programme. Government officials and tax officials are featured for this purpose. Former Chairman of Ibeju-Lekki Local Government of Lagos State, Dr. Tola Kasali appeared on the programme to enlighten the general public and his constituents of his achievements during his tenure. A video recording of completed and ongoing projects in his council was shown to viewers. Also, the Lagos State Commissioner for Transport and the Sector Commander of Federal Road Safety Corps were invited to the programme on different occasions to shed light on the acquisition of number plates for new and fairly used vehicles and the renewal of national drivers’ license. The invitations were prompted due to the complaints received from the public over delays encountered whenever an applicant chose to follow the official route in acquiring a drivers’ licence or a vehicle number plate. Likewise, the Chairman, Lagos State Internal Revenue Service was featured on Tax Matters to respond to the public protest over frustrations encountered in the acquisition of Tax

Clearance Certificates for PAYE. Tax Matters has therefore, made it possible for the public to lay their complaints and ask questions on taxation issues. It has also promoted the enlightenment and sensitization of the people. In summary, since inception, Tax Matters as a programme has recorded the following successes:

- a. Provision of a platform for taxpayer enlightenment broadcasting of FIRS activities;
- b. Featuring of consequences of engaging in unwholesome practices such as fake Tax Clearance Certificates to deter would-be offenders;
- c. Simplification of tax issues through fun-filled programmes such as TV drama productions.

The programme has been segmented into the following main compartments:³⁶

Taxation News

This segment is designed to inform the public of the events and activities of the FIRS, the State Revenue Boards, the Chartered Institute of Taxation of Nigeria, Nigeria Customs Service, Tertiary Education Trust Fund, Joint Tax Board and other tax consulting firms. It enlightens the public and gives necessary information about tax issues.

Public Enlightenment

This segment focuses on tax laws in the country. Since its establishment, taxes collectible by government as approved by decree 21 of 1998 have been emphasized and made known to the public. Professionals from reputable accounting firms have been invited to speak on issues like withholding tax, companies' income tax, personal income tax and other tax types. This segment also hosts personality interviews for distinguished tax personalities within and outside the Service. These personalities speak on tax issues like role of tax consultants, levies, Local Government tax collection methods, how to generate more revenue, offences and penalties under the relevant tax laws, tax obligations on remittances from abroad and citizens' rights and obligations under the various tax laws. For instance, episode 201 broadcast the approved Local Government taxes and levies. The struggle for increased revenue by the various tiers of government in Nigeria has been a subject of friction among the three tiers of government over the years while individuals and corporate organizations have had to be subjected to double or multiple taxes. This episode shed light on the subject and was a

respite to many taxpayers. Similarly, episode 202 focused on offences and penalties under the companies' income tax Act, and remittances by Nigerians from their earnings abroad while episode 203 focused on the problem of low tax compliance in Abuja by listing the taxes collectible by the FIRS in the FCT. The Executive Chairman of the FIRS was featured as a guest on the programme during the era of reforms in the Service. The programme provided the Chairman an avenue to inform and explain to the public the various reforms taking place in the Service and the entire tax system. The Chairman also explained the rationale behind the amendment of certain tax laws. Other guests that have been featured on the programme at various times include the Board Secretary and former Chairmen of the FBIR.

Vox Populi

Vox populi is Latin for "the voice of the people". This segment provides an opportunity for the taxpayers and general public to speak their minds on tax issues and the areas in which these issues affect them. Peoples' voices are heard through this segment and the government and tax administrators use this medium as a feedback loop to address issues affecting taxpayers.

Quiz of the Week

The quiz of the week segment of the programme is an interactive session where the audiences are asked questions about tax. The aim of this segment is to determine the level of the viewers' understanding of taxation. To stimulate the interest of the public, gift items are given to the first five correct answers.

Media Engagement

The FIRS Communication Policy recognises the need for the organisation to engage the external environment through various media channels. Further to this recognition, the policy has laid down certain rules and guidelines on the engagement of the media which the Service and its employees adhere to. At all times, the thrust of the Service's external communication is to serve and protect the interest of organisation and all stakeholders in so far as these do not compromise the Service's autonomy and legal mandate. It is the policy of the Service to provide relevant safeguards for the professionalism and integrity of the Service, Board,

Management and staff in the discharge of their duties. The policy therefore provides the following guidelines:³⁷

- a. Official communication with external stakeholders— government or any of its agencies, the mass media, diplomatic corps, the legislature and general public is the responsibility of the Executive Chairman or such other person as the Executive Chairman may explicitly delegate;
- b. External communication relationships are based on mutual respect and cooperation with due regard the Service's independence and protection as provided by law;
- c. Without prejudice to the constitutional guarantee on freedom of opinion and expression, staff may contribute to public discourse on any issue provided however that in matters concerning FIRS explicit caveat is entered that the opinion of such staff does not represent the official position of FIRS on the said issue;
- d. While staff could share relevant information among themselves, circumspection is advised in venting even strictly personal opinions in the press, to stakeholders and members of the public.

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CHAPTER TWENTY-SIX

BUILDING PIPELINES FOR SUSTAINABLE ENGAGEMENT

Background

The vision of the Federal Inland Revenue Service (FIRS) which is “to deliver quality services to taxpayers in partnership with other stakeholders and to make taxation the pivot of national development” brings to the fore the primary motive behind the establishment of the Service. The involvement of youths in taxation is aimed at achieving the dual purpose of engaging them as ambassadors to propagate the message of taxation within their environment and at the same time, to make sure the youths also imbibe tax payment as part of our national culture. When this is done, it would amount to taking into cognizance the active roles of the youth in national economic and political development.

The special focus on youths as stakeholders in making taxation the pivot of national development is a post 2004 reform initiative. Specifically, the Federal Inland Revenue Service adopted this approach in 2008. Prior to this period, taxpayer education was not carried out on the basis of special segmentation of any group of people. The new approach which was originally conceived by a Non Governmental Organisation, the Society for Youth Empowerment in Nigeria was “anchored on the position that part of FIRS responsibilities is to inculcate taxpaying culture on current and potential taxpayers and to make the youths ardent believers and preachers of taxation.”¹

In 2008, the Society for Youth Empowerment in Nigeria (SYEN) introduced to the Service an enlightenment campaign tagged ‘Educating Secondary School Students about Tax’.² The initiative was anchored on the position that part of FIRS responsibilities is to inculcate taxpaying culture on current and potential taxpayers. The Service in subscription to SYEN’s campaign, initiated a club, Students Advocacy for Tax (SAT) aimed at enlisting students within the ages of 7 and 25 years as advocates for tax in order to ‘catch them young’.³ Section 8 of the Federal Inland Revenue Service (Establishment) Act 2007 is broad enough

to empower the Service to among other things, collaborate with relevant stakeholders to promote taxpayer education and the entrenchment of tax culture in Nigeria.⁴ SAT was primarily focused on bequeathing a taxpaying culture on secondary school students. It also infuses students with the tenets to guide, counsel and present unambiguous picture of taxation and its benefits to the society while the Corporate Communications Department of FIRS, reaches out to youth corps members and undergraduates of universities and other tertiary institutions on the intricacies of taxation.⁵ Essentially, therefore, there are two initiatives aimed at involving Nigerian youths in the propagation of tax awareness. These are:

- a. Students Advocacy for Tax (SAT); and
- b. FIRS/NYSC Youth Tax Enlightenment Campaign.

Students Advocacy for Tax

SAT was introduced into FIRS in 2008 as a strategy to convert students (youths) of Secondary Schools as advocates for tax. Students that fall within the age bracket of 7 and 25 were enlisted as apostles of SAT. SAT was conceived to drive the following goals:

- a. Realization of the responsibilities of FIRS which include the inculcation of taxpaying culture in current and potential taxpayers.
- b. Educating students on the role of taxation in achieving sustainable development in Nigeria.
- c. To involve youths actively in the business of tax administration in recognition of their proactive roles in the development of Nigeria's social, economic and political life.
- d. To achieve a better Nigeria that is tax driven through students' participation.
- e. To produced informed crop of students as apostles and preachers of taxation.

The SAT project was kick-started in three participating schools in the Federal Capital Territory, Abuja which include:-

- a. Model Secondary School, Maitama- which was later replaced by Kingsville College, Gwarinpa;

- b. Federal Government Boys' College, Apo;
- c. Catherina International Academy, Dutse.

Each of the schools received 10 computer systems and ICT facilities from the Management of FIRS to buoy up the students' advocacy for tax. The event was chaired by the Executive Chairman of the Service Ifueko Omoigui Okauru. The donation was followed by series of workshops, in-school training among other exercises organized specially to broaden the understanding of the students about taxation, its practice and importance to the economic growth of the nation. To implement this, in-school facilitators were enlisted as resource persons while the Learning and Development Department of the Federal Inland Revenue Service streamlined the development of the model that was used. The representative of SYEN developed the 'train the trainers' and students manual used for the pilot phase.

Sequel to the above event, the Executive Chairman, FIRS directed at a post event meeting in her office that the Tax Club be replicated nationwide to achieve its goal and build strategic partnerships with other NGOs, the Federal and States Ministries of Education as well as other private and public institutions in the 36 states of the federation. Several other meetings aimed at defining the features of the club such as catch phrases, vision and mission statements, core values, logo, creed among others were held.

The FIRS considered the implication of a sustainable organisational structure for the club, funding arrangement and most importantly, defining the legal implication of the Service going into such partnership with an NGO. The Society for Youth Empowerment of Nigeria came up with the decision to register SAT with the Corporate Affairs Commission. As a result, the Students Tax Advocacy Initiative was registered as the governing board of the SAT. The STAI was registered as a company limited by guarantee and was inaugurated on 24th August, 2010. To facilitate achievement of its objectives and to ensure sustainability of the programme, the FIRS after inauguration of STAI instituted the following Board Members.

- a. ECFIRS as Chairman, Board of Trustees;
- b. Director, Corporate Communications Department;
- c. Legal Adviser, FIRS;

- d. Coordinating Director, Tax Operations Group (TOG);
- e. Director, Society for Youth Empowerment in Nigeria (SYEN);
- f. Secretary, Joint Tax Board (JTB);
- g. Representative, Chartered Institute of Taxation of Nigeria (CITN);
- h. Representative, Institute of Chartered Accountants of Nigeria (ICAN);
- i. Representative, Association of National Accountants of Nigeria (ANAN);
- j. National President of SAT and six vice presidents representing the six geo-political zones.⁶

The Board of STAI has been inaugurated with the following committees set up to run the affairs of the Initiative:

- a. Fund Raising and Publicity Committee;
- b. Finance and General Purpose Committee;
- c. Audit Committee;
- d. Plans and Programmes Committee.

Key Milestones of STAI

Since the collaboration between SAT and the Service commenced, several activities have been carried out towards the actualisation of the objectives of the initiative. These include:

- a. Public presentation at Reiz Continental Hotel on 11th June, 2009;
- b. Tax rally by SAT members on 13th March, 2010;
- c. Tax television programme conducted solely by STAI members on Tax Matters on NTA on children's day (27th May, 2010);
- d. Inauguration of the Board on 24th August, 2010;
- e. Inaugural Board meeting on 8th October, 2010;
- f. Commissioning of ICT facilities at three pilot schools (Kingsville College, Gwarinpa, Catherina International academy and Federal Government Boys' college, Apo) by

Board Chairman, Ifueko Omoigui Okauru, on 19, 22 and 23 November, 2010 respectively.⁷

FIRS/NYSC Tax Enlightenment Campaign

The rationale behind the establishment of STAI led to collaboration with corps members undergoing the compulsory one-year National Youth Service Scheme as well as undergraduates of Nigerian tertiary institutions. This is in addition to the already existing SAT with its focus on secondary students. The NYSC campaign under the direction of the Corporate Communications Department of the FIRS is driven at two levels namely; the NYSC Tax Club and the FIRS/NYSC Community Development Service (CDS). The campaign is meant to achieve the following objectives:

- a. To raise more awareness for taxation among members of the NYSC scheme;
- b. To afford corps members the opportunities to be enlisted as advocates for tax related issues;
- c. To help inculcate and bequeath a tax paying culture to newly graduated students;
- d. To put to in place a forum through which FIRS will be able to counsel, guide and present corps members with an unambiguous picture of taxation and its benefits to our society;
- e. To improve the reach of the Service in terms of community engagements and succeed in developing a community based strategy that will enhance voluntary tax compliance through corps members and undergraduates.

For undergraduates, the campaign is carried out on campuses by professionals to deepen consciousness of taxation among students and at the same time raise awareness for taxation as a course of study. By and large, some of the successes recorded in the area of youth engagement are as follows:

- a. Through the use of books, music, dance and drama, the youth have brought innovation in taxpayer education by combining entertainment with tax campaign messages. This innovation has expanded the reach of tax messages to people who had considered taxation a boring subject hitherto.

- b. A SAT club member, Gabriel Jahmed of the Federal Government College, Garki submitted a video entry titled “Progress is Socio-Economic Development through Taxation” to the OECD in response to the organization’s request for entries to mark its 50th anniversary. Jahmed’s entry was short-listed among the twenty best submissions. The special jury decided the selection on the basis of creativity, substance, production, value and overall impact.⁸
- c. The enlightenment campaigns have exposed the participating youths to the world of taxation while taxpaying culture has been instilled in them.
- d. The inclusion of students at all levels of study in the enlightenment schemes of the Service have prepared the ground for the subsequent introduction of taxation in school curricula at all levels; a process that is on-going in collaboration with the relevant authorities.

There are some outstanding areas in youth engagement that need to be addressed going forward. These include:

- a. The NYSC enlightenment programme has not been optimally utilized as an avenue for wide reaching taxpayer education medium. The NYSC Tax Club and the FIRS/ NYSC Community Development Service therefore, need to be revived for maximum utilization of its innate benefits
- b. The replication of SAT clubs nationwide as was directed by Executive Chairman, FIRS has not yet been achieved.
- c. The target of establishing SAT clubs in 120 schools between 2010 and 2012 across the three educational cadres with at least 20,000 club members is far from being realised.
- d. There is need to follow up and engage the Federal Ministry of Education over the resolution to spread SAT to 109 unity schools nationwide; as well as the introduction of taxation as a component in educational curricula at all levels of education.

Voluntary compliance is the hallmark of any tax system. From the perspective of the Service, youths represent critical pipelines into the future; engaging them now prepares the ground for unleashing the potential for Nigeria’s sustainable development through voluntary

compliance to tax laws. Given that the youths form the bulk of the nation's population, it is essential that tomorrow's leaders are made conscious of the need to make taxation the pivot of national development and the best way to do so is to "catch them young."

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CHAPTER TWENTY-SEVEN

DOCUMENTING FOR POSTERITY

FIRS Tax Museum

A museum is a building where objects of artistic, cultural, historical or scientific interest are kept and shown to the public.¹ The Management of the Federal Inland Revenue Service (FIRS) conceived the idea of a tax museum to serve as an institution that acquires, collates preserves, conserves and exhibits the tangible legacy of tax administration in Nigeria and the various phases of transformation witnessed in the tax sub-sector. The idea of the FIRS Tax Museum was mooted on May 19, 2007 in the course of the 1st Regional Enlarged Management Meeting held at Golden Gate Restaurant Ikoyi, Lagos.² The idea came to the fore as an urgent need to preserve the past from where the present and the future evolved. Specifically, its conception was sequel to the identification of the need to document the evolution of the FIRS in such a way that those who are part of the past or their descendants as well as other interested stakeholders could see what they did in their time, appreciate the metamorphosis of the Service, its origins and the different efforts at reforms over time.³ To drive the initiative, an FIRS Museum and Monument Committee was inaugurated on July 24, 2007 with G O Simplice⁴ as coordinator. It was mandated to midwife the FIRS Tax Museum into reality. The terms of reference given the committee upon inauguration were as follows:

- a. Examine the idea of creating a museum that will not only tell the evolutionary story of FIRS but will continue to guide future developments;
- b. Work out the modalities for setting up the museum; structures, staffing, processes, systems, layout, etc.;
- c. Determine whether the museum should be multi or single sited;
- d. Determine the nature of the museum i.e. historical, archaeological, pictorial etc or a combination of types;

- e. Establish modalities for gathering materials;
- f. Draw up a programme of execution of the project;
- g. Recommend management structure for the museum i.e. whether it should be an in-house or a subsidiary of the government's museum and monuments commission;
- h. Recommend any other processes for the realisation of the project; and
- i. Formally hand over the completed project on or before 31st December, 2007.⁵

Sequel to its inauguration, the committee stated both mission and vision statements of the museum. The mission is “to establish a model museum that will enhance education, preserve our history and encourage voluntary tax compliance” while the vision is “to have a museum that is a centre of learning and research in partnership with other stakeholders and to develop a taxpaying public that will embrace taxation as the pivot of national development.”

The museum was envisaged to perform the following functions:

- a. Serve as an avenue for the warehousing of collated documents and artefacts on Nigerian tax history;
- b. Document such evidence of taxation for education and exhibition purposes;
- c. Be a centre for the collection of archival materials for the Tax museum, e.g. the tax ordinances passed from 1917 to date;
- d. Collection of museum documents, objects and artefacts from FIRS offices, for preservation in the museum, for educational and exhibition purposes;
- e. Periodic retrievals of artefacts and other archival documents from FIRS Integrated Tax Offices (ITOs) in Nigeria;
- f. Set up and hold exhibitions at intervals to showcase the archived materials to the public;
- g. Keep a record of all retrieved materials in the museum;
- h. Arrange and categorize all documents for easy research;
- i. Collaborate with the National Commission for Museums and Monuments (NCMM) and other museum governing bodies such as the African Commission for Museums (AFICOM), International Commission for Museums (ICOM), West African Museums

Programmes (WAMP), (Swedish African Museum Network (SAMP), Museums Association of Nigeria (MAN) etc for required training so as meet standards of international best Practices.

The committee conceived the FIRS Tax Museum to be built in two phases and sited in two locations. Phase One was to be the Lagos Office to be situated at Agidingbi, Ikeja, Lagos State while Phase Two was to be the Abuja Office to be located at the Revenue House, Wuse Zone 5, Abuja. The committee further broke into four sub-committees with each having a strategic function that cascaded into the overall mandate of the whole committee.⁶ The sub-committees were:

- a. Audio/Visual: The sub-committee was to capture in audio/visual format, the history of the transformation in FIRS from 1957 to date;
- b. Recovery and Presentation of Artefacts: As the name implies, its function was to track down all relevant artefacts that meet the standard of the project;
- c. Model Design: This sub-committee was responsible for project site structural design as well as exterior and interior décor of the museum;
- d. Finance: The responsibility of the committee was to ensure prudence and transparency in the expenditures of all sub-committees and to prepare financial statements.

To deliver on its mandate the committee employed a number of strategies including:⁷

- a. Interviews with former FIRS staff and museum experts: among the persons interviewed were the wives of the first indigenous Chairman of the FIRS, Otunba E.A. Osindero and his successor Otunba O. Ogunba. The Committee also consulted with a museum expert, Mr. Crispin Paine;
- b. Call for memoirs and artifacts;
- c. Visits to selected museums in the country and abroad: The Committee visited the National Museum, Onikan, the Ibadan Museum, the Museum of Colonial History, Aba, the Maritime Museum Liverpool and Her Majesty's Customs and Revenue Museum in the United Kingdom;

- d. Participation at workshops: The Committee attended a Workshop titled 'Fear of the Unknown' at the Sackler Centre of Victoria and Albert Museum, United Kingdom between 19 and 21 November 2008 as well as the National Workshop on the Establishment of Archives by State Governments, Abuja from July 15 to 17, 2008.

Although the committee was mandated to formally hand over the completed project on or before December 31, 2007, the committee submitted its interim report in December 2008. The committee was unable to deliver within the timeline as a result of delays associated with following due process in incurring expenditures. The committee's interim report made the following recommendations:

- a. That the museum be sited in a single location because a multi sited museum will not be cost effective. They further recommended that the sites of some immovable museum objects such as the colonial stamping machine in Mosaic House, Lagos and the ancient Chubbs safe in Kano ITO to be declared as FIRS Heritage Sites.
- b. That the museum should incorporate the FIRS Archive.
- c. That the top floor of the canteen building approved by the Management for the museum should be regarded as a temporary site because it is inadequate to accommodate all the artefacts if displayed in a museum setting. This recommendation was as a result of the knowledge acquired during their guided study tour of five British museums
- d. The museum should be historical and pictorial in nature
- e. The professional museum management structure- curators, preservationists, project managers and learning officers be recruited to man the museum

In addition to the above recommendations, the committee recorded two achievements worthy of note. These were:

- a. The retrieval of several documents, artefacts and other materials from ITOs nationwide;
- b. The design of a building for the Tax Museum.

After the presentation of its interim report, the committee was disbanded and in its place, a sub-unit was established in the Corporate Communications Department to carry on with the task of establishing the museum. Since its establishment, the Tax Museum Sub-unit has achieved the following:

- a. The retrieval of more documents, artefacts and other materials;
- b. The signing of a Memorandum of Understanding (MOU) between FIRS and the National Commission for Museum and Monuments, NCMM⁸ on the development of the FIRS museum;
- c. The allocation of space at Agidingbi, Ikeja, Lagos State for the Lagos Phase of the tax museum;
- d. The production of a prototype building design for the tax museum;
- e. The call for bids for the construction and furnishing of the tax museum by the Procurement Department.

The date of commencement of the MOU was 1 December 2010 and it has a lifespan of two calendar years. The MOU defines the obligations of the two parties to the agreement. The obligations of FIRS are:

- a. The provision of space premises for the museums;
- b. The provision of necessary information, materials and resources needed for the exhibition as may be required by the NCMM for setting up the museum;
- c. The provision of security network to safeguard the premises, objects and the showcases/climatic controls for the objects in the exhibition;
- d. The provision of personnel to be trained for the running of the museum;
- e. The provision of financial resources for the execution of the project, provision of souvenir, CD-ROM virtual exhibition, etc.;
- f. Insurance of objects loaned from the NCMM with a reputable insurance company;
- g. Not to charge copyright fees on reproduced copies of objects and images without the express approval of the NCMM.

The obligations of the National Commission for Museums and Monuments are as follows:

- a. NCMM shall use its expertise to assist the FIRS set up the FIRS tax museum at Abuja and Lagos;
- b. NCMM shall provide the professional advice in technical areas including but not limited to preservation, conservation, display and document;
- c. NCMM shall train the FIRS museum personnel to perform ancillary duties related to keeping the museums in the best tradition of museums of international standard;
- d. Provide on loan, any artefact relating to the said exhibition on request from the FIRS;
- e. Undertake the conservation of the exhibits before and during exhibition;
- f. Produce the exhibition catalogues, brochures, texts, labels and other information related to the exhibition in collaboration with the FIRS museum Management Team.

Notwithstanding the above achievements, the actualisation of the tax museum project has been bedevilled by a few challenges amongst which are:

- a. Delays in the approval of actions to be taken. For example, the bid for the building of the prototype tax museum was open in November 2010 and till date the contract for the construction has not been awarded;
- b. Consequent upon the above, space has been allocated for the Lagos and Abuja museums but work is yet to start;
- c. The lack of operational or utility vehicle and logistics for the Unit is also stalling its operations.

In order to address the above challenges and fast track on the completion of the tax museum the steps suggested below need to be implemented.

- a. Regular inspection exercise to FIRS and museum sites and other collections for retrieval of materials and subsequent exhibition;
- b. Setting up of an expanded committee comprising staffs of NCMM and FIRS Tax Museum sub-unit to plan for the launching of the tax museum;

- c. Award of contract for the construction of the tax museums and the completion of the construction work according to plan and as stipulated in the contract agreement;
- d. Provision of a utility vehicle for the unit;
- e. Prompt approval of memos and applications;
- f. Exhibition placement should commence as soon as the completed museum buildings are handed over to the tax museum team.⁹

The FIRS Tax Museum is a reform era project. The benefits of the museum are numerous. Numismatists,¹⁰ accountants, researchers and other persons and organisations interested in the history of money and taxes will benefit from this unique museum when it becomes operational. It will serve as a repository of all that pertains to the history of taxation and tax administration in Nigeria. The museum could also serve as an outlet for taxpayer education and public enlightenment.

The Tax History Project

As a corollary of the museum project, the idea of documenting a comprehensive tax history of Nigeria was also conceived. To this end, in November 2008 the Tax History and Policy Support Sub-Unit was created as part of the Technical Unit in the Office of the Executive Chairman of the Federal Inland Revenue Service. The terms of reference of the unit was to research and document a comprehensive history of taxation in Nigeria, taking into account developments during the pre-colonial, colonial and post colonial eras.¹¹

The Tax History Project Team which comprised of Ben Pever, Chinedu Eze, Alhassan Mohammed, Alex Akinyele, Ediketin Iyayi, Ifeanyichukwu Aniyie, Queen Ikwuji and Caroline Boman commenced work on 5 November 2008. A project work plan was designed and approved by the Executive Chairman. Between January and April 2009, the team members collected resource materials from different locations across the country. The Team conducted research visits at the following places:¹²

- a. The Nigerian Institute of Advance Legal Studies, Lagos;
- b. The Government Printer, Lagos;

- c. The National Library, Lagos;
- d. The National Library, Abuja;
- e. The FIRS Training School Library, Lagos;
- f. The National Archives, Ibadan;
- g. The National Archives, Kaduna;
- h. Arewa House, Kaduna;
- i. The National Archives, Enugu;
- j. The Library of the High Court of the Federal Capital Territory;
- k. The Library of the Supreme Court of Nigeria.

In addition to the research tour, the Team met and conducted oral interviews with a cross section of experts in the areas of history, taxation, law and fiscal federalism. Armed with data, information and statistics from the various research visits and interviews, the Team commenced writing in April 2009. The manuscript titled “A Comprehensive Tax History of Nigeria” was completed by December 2010. Two external advisors were engaged to review the manuscript; one to advise on writing style, presentation and semantics and the other to ensure historical, analytical and statistical accuracy.¹³

The book documents the practice of taxation prior to the advent of colonialism and traces the changes that occurred through the colonial period and the post independence developments in the tax sector up to 2011. It was conceived to, and it is hoped that the book will add to the reservoir of knowledge on the evolution of taxation in Nigeria; knowledge that is essential to students; tax practitioners and administrators as well as policy makers.

FIRS Reform Documentation

The FIRS Reforms Documentation Project aims at recording for posterity the efforts to reposition the Service as a modern, vibrant 21st Century tax administration agency. The rationale is to avoid the mistakes of the past where no records of changes and innovations were kept making it difficult for subsequent reforms to find anchorage on past efforts. In 2007, a Reforms Documentation Project Team was constituted under the coordination of Wahab Gbadamosi. The mandate of the Team was to document all the changes and

transformations that have taken place in the tax system since 2004. The documentation was to answer the following questions:¹⁴

- a. Where we were
- b. Where we plan to be
- c. How we plan to get there
- d. Where we are
- e. Immediate benefits/rewards
- f. Obstacles/challenges
- g. Next steps/actions

The Team drew up a work plan; conducted research and interviews and collated several materials. By 2009, eleven volumes were produced on the various reform areas. These volumes were later collapsed into five volumes but the Team opined that to ensure readability, the volumes needed to be further streamlined. Between August and November 2009, the five volumes were further streamlined into two volumes titled “Building a Strong Government Institution: The Modernisation of the FIRS” and “Taxation, citizenship and Development.” The former contained an analysis of all the transformation engendered by the reforms in various aspects of tax administration while the latter was a collection of all the speeches and interviews granted by the Executive Chairman between 2004 and 2007.¹⁵ In addition to these volumes, the Team was mandated to also present the historical evolution of the Federal Inland Revenue Service and the Joint Tax Board in pictorial format.

In view of the similarity of the mandates of the Team and the Tax History Unit, the Executive Chairman directed the Team to hand over the progress made so far to the Tax History Unit to complete the documentation project. On 18 March 2010, the Team handed over all the materials gathered for the project as well as the volumes produced to the Tax History Unit. Based on collaboration with the Executive Chairman, some modifications were made to the original work plan and a new format was approved. Dr. Wale Adebani, US-based scholar, writer and journalist, was engaged as advisor to the reform documentation project. The Federal Inland Revenue Service and Taxation Reform in Democratic Nigeria is the result of all these efforts.

To effectively drive the documentation and pictorial projects, the Tax History Unit, which consisted of five staff requested for additional hands from the Corporate Communications Department. Eight officers from the CCD were deployed to the unit and tasks were assigned. The new Reforms Documentation Team comprising of Ben Tertsea Pever, Salisu Bakari, Ifeoma P. Okeke, Ifeanyichukwu Azuka Aniyie, Ahmed Liman, Pauline Amiebenomo, Abolaji M. Olatunde, Abba Abdusalam, Ann Embuka, Kelechi Okoronkwo, Silas Ebenyi, Isaiah Ahile, Gloria Okeke conducted research tours, gathered materials and interviews with serving and retired staff of the Service for the purpose of determining:

- a. Pre 2004 status of all the focal areas identified;
- b. The various strategies employed in the implementation of the reforms;
- c. Successes recorded, challenges encountered and outstanding issues

In addition, the Team interviewed past and serving employees of the Service to acquire narration of events contained in the FIRS and JTB albums for the purpose of the two pictorial books. The pictorial books are still at the stage of pre-press production of book dummies which is been handled by Lagos based photographer, Uche James Iroha. In all, the effort to document for posterity is fivefold namely:

- a. The FIRS Tax Museum;
- b. A Comprehensive Tax History of Nigeria;
- c. FIRS and Taxation Reform in Democratic Nigeria;
- d. A Photo-History of the Federal Inland Revenue Service; and
- e. A Photo-History of the Joint Tax Board.

It is hoped that subsequent administrations will not only build on the successes that have been achieved but will also address the outstanding issues in the Tax Reform Agenda. Beyond this, it is further hoped that periodic stock-taking will be institutionalized by way of recording for posterity all subsequent changes in the system. This will not only provide the story of where the FIRS is coming from, it will provide the basis for policy change and future projections as the Service continually evolve new methods and procedures to enhance Nigeria's tax system.

References

- 1 Oxford Advanced Learners' Dictionary of Current English, Oxford: OUP, 2001,
- 2 FIRS Museum and Monument Committee Interim Report, May to December 2008
- 3 Ibid.
- 4 Ibid. Other members of the Committee include Mr. Ezra Zubairu, Mrs. Juliana Adefela Adefule, Mr. Bitrus Dauda, Mr. Emmanuel Wada Arome, Mr. Abdulkarim Yusuf, Mr. Sani Mohammed Dahiru and Mr. Lawrence.
- 5 Ibid.
- 6 Ibid. The Sub-Committees were created on the second meeting of the Committee in Broad Street ITO on May 25, 2007.
- 7 Ibid.
- 8 The NCMM is the agency of government empowered to administer national museums, antiquities and monuments as well as other outlets of such nature. See section 3, National Commission for Museums and Monuments Act Cap N LFN 2004.
- 9 Ibid.
- 10 Numismatists are person who study or collect currency, including coins, tokens, paper money, and related objects and/ or media used to resolve debts and the exchange of goods.
- 11 Oral interview with Ben Pever, Head/Tax History and Policy Support
- 12 Ibid.
- 13 Ibid.
- 14 Gbadamosi, Wahab, "Handover Notes on Documentation of Reforms Project," dated
18 March, 2010.
- 15 Ibid.

APPENDICES

Chapter Three

Table 3.1: Comparative Analysis of the Contribution of Large Taxpayers to Tax Yield in Various Countries

S/N	Country	No. of Tax Payers	(%) of total Taxpayers	(%) of Tax Revenue
1	Argentina	3,655	0.1	49.1
2	Benin	1,512	1.5	92
3	Bulgaria	842	0.1	51.4
4	Ecuador	3900	0.5	79.3
5	Hungary	369	0.03	42.1
6	Kenya	600	0.4	61

Table 3.2: Contribution of Large Taxpayers to FIRS Collection in 2005 and 2006

Year	2005	2006
LTD Collection	1,561	1,639
FIRS Total Collection	1,876	1.7
% of FIRS collection	83.2	69.75

Chapter Four

Table 4.1: Percentage contribution to total national revenue by tax types

Tax as % Total Revenue	NIGERIA (%)	GHANA (%)	KENYA (%)	SOUTH AFRICA (%)
Personal Income Tax	0	11	20	31
Corporate Tax	15	19	19	24
VAT	12	25	47	28
Customs & Excise	18	18	9	8
PPT and Royalty	55	0	0	0
Others (Petrol Levy-Ghana)	0	33	5	9

Table 4.2: Income Tax Rates in selected African Countries

Corporate Income Tax

Tax as % Total Revenue	NIGERIA (%)	GHANA (%)	KENYA (%)	SOUTH AFRICA (%)
Tax rate	30 20% for manufacturers, mining.	25	30	29

Personal Income Tax

Personal allowance	N5,000 + 20%			\$ 5,634
Top rate of tax	25	25	30	40
Threshold (US\$)	1260	960	5,500	40,000

Chapter Seven**Table 7.1:** Test Statistics

S/N	Number of records sent	Insert time (secs)	Update time (secs)	Remarks
1	500	26.97	24.67	No Data loss
2	1000	52.77	52.51	No Data loss
3	2000	107.21	105.90	No Data loss

Table 7.2: Stress Test Statistics

number of records initiated for transfer	Network disconnection duration (sec)	number of records received	number of records marked 'sent' at FIRS	records' transfer duration (sec)	total record loss
10,000	10	3278	3278	273.78	0

Chapter Eleven**Table 11.1:** Training Events and Participants in the FIRS between 2004 and 2010

Year	Offshore Trainings	No of participants	Local Trainings	No of participants	Total no of beneficiaries
2004	5	5	5	673	678
2005	12	34	30	980	1014

Year	Offshore Trainings	No of participants	Local Trainings	No of participants	Total no of beneficiaries
2006	26	106	32	2,031	2,137
2007	7	23	16	146	129
2008	23	141	16	1,216	1,357
2009	7	35	21	2,413	3,448
2010	8	32	96	9,302	9,438
Total	88	376	216	16,761	17,441

Chapter Eighteen

Table 18.1: Collection Figures (from 1996 - 2011)

Type of Taxes	1996		1997		1998		1999		2000		2001		2002		2003		2004	
	T	A	T	A	T	A	T	A	T	A	T	A	T	A	T	A	T	A
	Nb	Nb	Nb	Nb	Nb	Nb	Nb	Nb	Nb	Nb	Nb	Nb	Nb	Nb	Nb	Nb	Nb	Nb
PPT	35.3	47.5	54.8	84.3	58.9	24.8	140.7	71.1	243	334.5	353.4	407.1	203.2	224.4	359.9	432.6	470.8	878.6
CIT	21	23.1	23	27.8	25	33.3	30.5	46.2	65	53.3	70	69.4	90	89.1	90	114.8	143	129.1
VAT	22	32.5	35	35.3	40	37.8	52.2	47.8	65	58	70	91.7	90	108.6	113	136.4	161	163.3
ET	.	3.3		2.9		3.2	2	5.7	5.5	8.3	7	16.2	10	10.1	10	9.7	18	17.1
Consolidated			0.5		0.7		2	1.1	2	1.2	0.25	2.2	3	1.7	-	4.2	7.2	5
NITDEF	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total	78.3	106.4	112.8	130.8	121.9	99.4	227.4	171.9	380.5	455.3	500.65	586.6	396.2	433.9	572.9	697.7	800	1,193.1

Type of Taxes	2005		2006		2007		2008		2009		2010		2011	
	T	A	T	A	T	A	T	A	T	A	T	A	T	A
	Nb	Nb	Nb	Nb	Nb	Nb	Nb	Nb	Nb	Nb	Nb	Nb	Nb	Nb
PPT	876.1	1,352.2	2,780.6	1,352.5	1,147.5	1,132	1,536.4	2,060.9	638.8	939.4	1,203.2	1,480.36	1,927.5	3,070.5
CIT	174	170.2	158.8	246.7	299.0	332.4	364	420.6	587	600.6	587	666.06	702.24	715.43
VAT	231.0	192.7	77.8	232.7	265	312.6	323	401.7	580	481.4	580	564.89	770.04	659.16
ET	17.1	21.8	35.9	28.4	36.1	59.6	42	59.5	63.1	139.5	74.8	89.18	97.2	130.75
Consolidated	6.2	4.9	1.0	5.9	5.7	10.3	9	27	35.7	29.9	53.6	32.93	45	43.86
NITDEF	-	-	-	-	-	-	-	2.5	4.4	6.8	8.7	5.88	8.76	8.67
Total	1,304.4	1,741.8	3,054.1	1,866.2	1,753.3	1,846.9	2,274.4	2,972.2	1,909	2,197.6	2,507.3	2,839.3	3,550.8	628.46

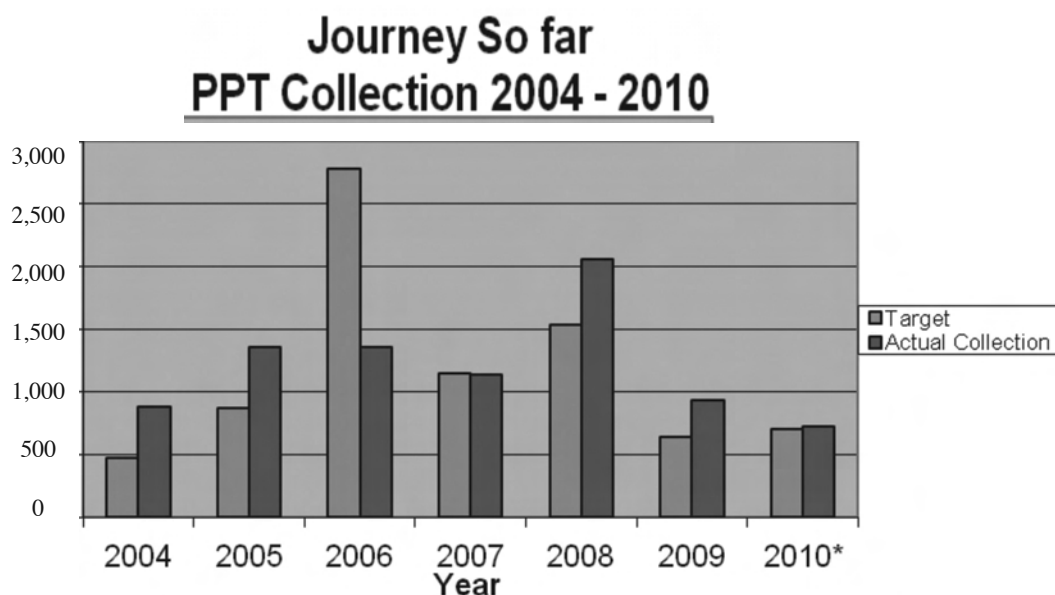
Figure 1 shows the difference in percentage terms, between targets and actual collection of total tax types between 2004 and July 2010; Figures 2 and 3 show the difference between targets and actual performance of petroleum profits tax in percentage terms over the same period while figures 4 and 5 show the percentage difference between targets and actual collection of non oil taxes within the same period.

Figure 18.1

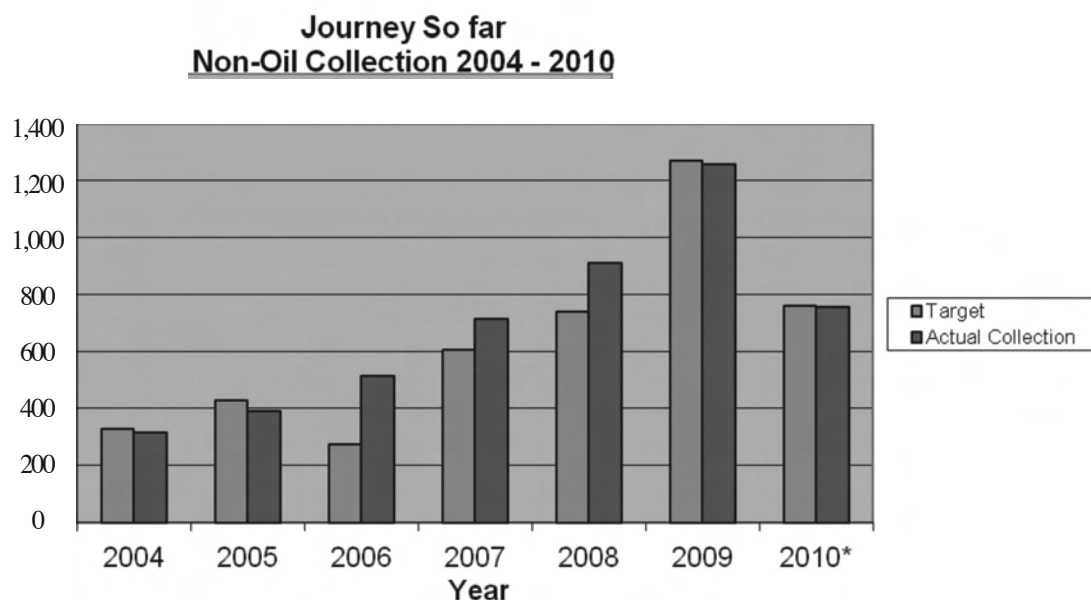
Year	Target Nb	Actual Collection Nb	Percentage %	Remark
2004	800.0	1,194	149	
2005	1,304.4	1,741.8	133	
2006	3,054.1	1,866.2	61	
2007	1,753.3	1,846.9	105	
2008	2,274.4	2,972.2	130	
2009	1,909.0	2,197.6	115	
2010	2,507.3**	1,478.1**	58	**Target for the year 2010 *Actual Collection as at July' 10

Table 18.2: Journey so far: PPT Collection 2004-July 2010

Year	Target	Actual Collection	%
2004	470.8	878.6	186
2005	876.1	1,352.2	154
2006	2,780.6	1,352.5	48
2007	1,147.5	1,132.0	98
2008	1,536.4	2,060.9	134
2009	638.8	939.4	147
2010*	701.9	724.3	103

Figure 18.2: Journey so far: PPT Collection 2004-July 2010**Table 18.3:** Journey So far: Non-Oil Collection 2004–July 2010

Year	Target	Actual Collection	%
2004	329.2	316.2	96
2005	428.3	389.6	90
2006	273.5	513.7	187
2007	605.8	714.9	118
2008	738.0	911.3	123
2009	1,270.2	1,258.2	99
2010*	760.7	753.8	99

Figure 18.3: Journey so far: PPT Collection 2004-July 2010**Table 18.4: Domestic Funds Received by the FIRS between 1999 and 2006**

Year	Total funds received through FGN annual budgetary appropriation process	Staff incentive bonus	Amount received under the 4% received under the cost of collection	Total sum received in the year	% Change: using 1999 as a base year
1999	1,421,742,284	498,445,350	-	1,920,187,634	0
2000	2,007,316,264	1,229,357,308	-	3,236,673,572	69
2001	1,883,395,830	759,860,384	-	2,643,246,214	38
2002	2,108,005,126	2,873,021,113	-	4,981,026,239	159
2003	1,090,709,176	1,164,582,348	-	2,255,291,524	18
2004	2,920,162,300	1,445,542,342	-	4,365,704,642	127
2005	-	2,891,084,685	13,580,430,952	16,471,519,637	758
2006	-	-	19,946,017,914	19,946,017,914	939

Chart 18.1 illustrates the total funds obtained via the annual budgetary appropriation process from the Federal Government between 1999 and 2006. The four percent cost of collection column shows the amount accruing to the Service based on the application of the cost of collection principle. Close examination of the table reveals that the funds allocated to the FIRS from 1999 to 2004 witnessed upward and downward fluctuations, a situation that is not often conducive for stability and long term planning. The chart further shows that the implementation of the cost of collection mechanism in 2005 witnessed a percentage increase of 758 percent relative to 1999 levels in funds available for the operations of the Service. The percentage increment in 2006 soared to 939 percent relative to 1999 levels. The funding patterns during the period under consideration are further illustrated by the charts below.

Chart 18.1: Percentage

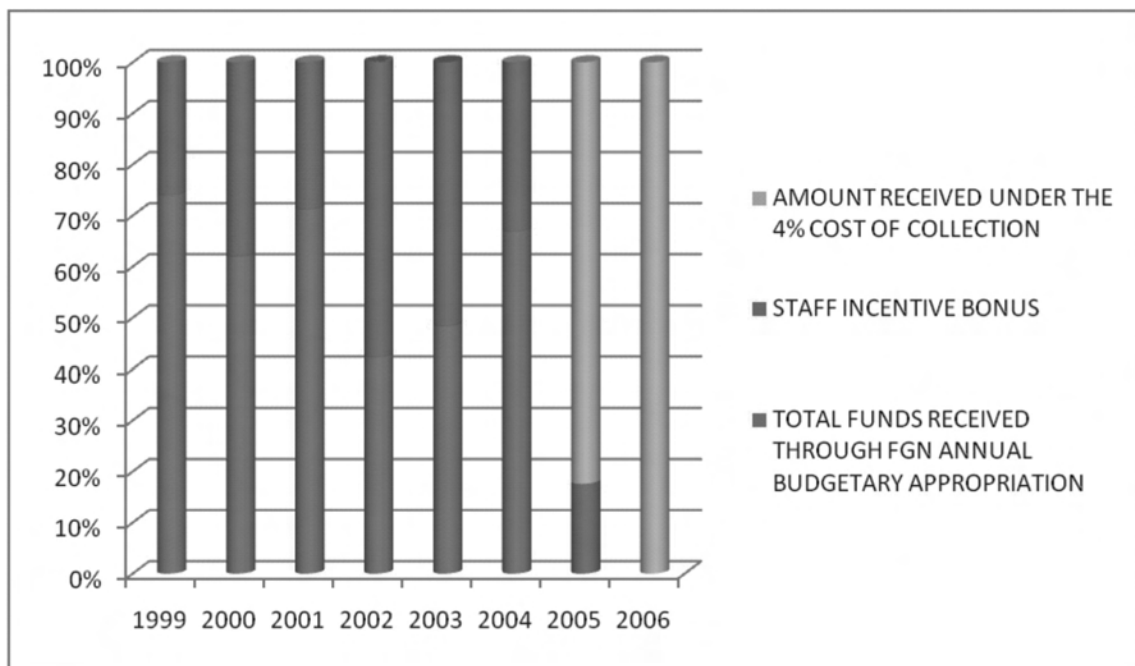


Chart 18.2: N' billion

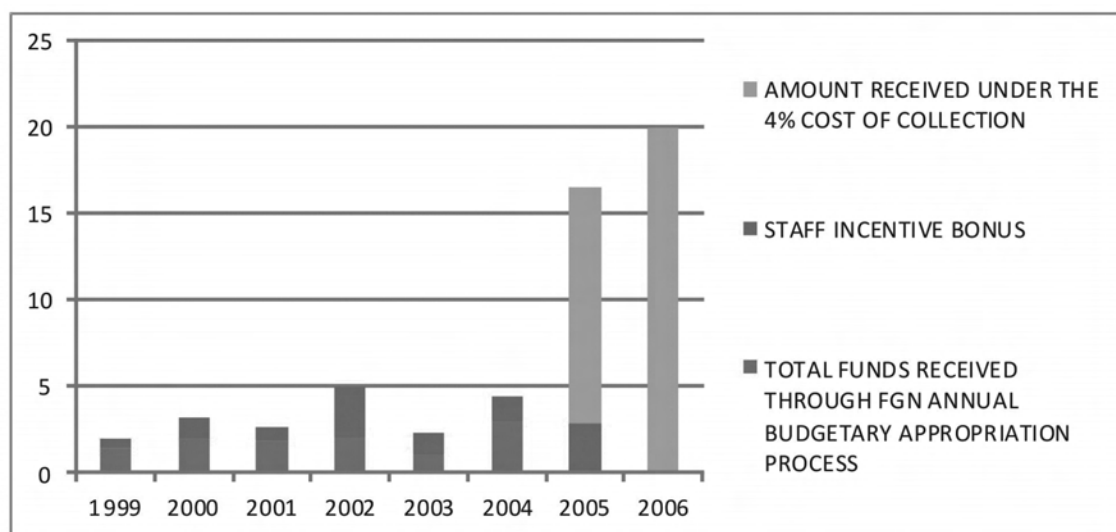


Table 18.6: Foreign Funding (Donor Support Projects) between 1999 and 2006

Year	Amount	Source	Conversion rate	Total ₦	Note
1999	-				
2000	-				
2001	-				
2002	-				
2003	-				
2004	-				
2005	US\$8,000,000	World Bank	\$1 = ₦130	1,040,000,000	1
2006	₦303,328,593	DFID & World Bank	-	303,328,593	2
	British £900,000	DFID and World Bank	£1 = ₦250	225,000,000	3
	USA\$1,500,000	UNDP	\$1 = ₦130	195,000,000	4

Table 18.7: Figures reduced to the nearest Naira.

Year	Personnel (N)	Overhead (N)	Capital (N)	Total (N)	Year-on -year % variance	% variance to year 2004
2004	2,327,892,401	577,125,000	400,000,000	3,305,017,401	0.00%	0.00%
2005	8,637,852,370	4,234,526,130	3,747,621,500	16,620,000,000	502.87%	502.87%
2006	8,876,786,858	5,319,080,687	5,140,532,455	19,338,400,000	116.36%	585.12%
2007	12,484,370,313	7,190,479,332	6,907,400,000	26,582,249,645	137.46%	804.30%
2008	15,927,951,587	7,487,977,111	12,144,071,301	35,560,000,000	133.77%	1,075.94%
2009	18,100,816,041	17,139,361,904	15,585,137,751	50,825,315,696	142.93%	1,537.82%
2010	18,100,816,041	17,139,361,904	15,585,137,751	50,825,315,696	0.00%	1,537.82%

Table 18.8: Federal Inland Revenue Service Budget Performance 2004-2010

Expenditure	Year 2004			
	Budget N'bn	Receipts N'bn	Payments N'bn	% performance
Salary	2.328	2.070	2.070	88.92
Overhead	0.577	0.462	0.462	80.07
Capital	0.400	0.388	0.388	97.00
Tax refund	0.000	0.000	0.000	0.00
Total	3.305	2.920	2.920	88.35
Expenditure	Year 2005			
	Budget N'bn	Receipts N'bn	Payments N'bn	% performance
Salary	8.637	7.058	2.899	33.56
Overhead	4.235	3.460	1.616	38.16
Capital	3.748	3.062	1.837	49.01
Tax refund	0.000	0.000	0.000	0.00
Total	16.620	13.580	6.352	38.22
Expenditure	Year 2006			
	Budget N'bn	Receipts N'bn	Payments N'bn	% performance
Salary	8.879	9.157	7.746	87.24
Overhead	5.319	5.487	2.940	55.27

Capital	5.141	5.302	0.513	9.98
Tax refund	0.000	0.000	0.000	0.00
Total	19.339	19.946	11.199	57.91
Expenditure				
Year 2007				
	Budget N'bn	Receipts N'bn	Payments N'bn	%
performance				
Salary	12.484	11.812	12.530	100.37
Overhead	7.190	6.803	2.659	36.98
Capital	6.907	6.535	3.445	49.88
Tax refund	0.000	0.000	0.000	0.00
Total	26.581	25.150	18.634	70.10
Expenditure				
Year 2008				
	Budget N'bn	Receipts N'bn	Payments N'bn	%
performance				
Salary	15.928	14.715	12.532	78.68
Overhead	7.488	6.919	6.454	86.19
Capital	12.144	11.220	2.670	21.99
Tax refund	0.000	0.000	0.000	0.00
Total	35.560	32.854	21.656	60.90
Expenditure				
Year 2009				
	Budget N'bn	Receipts N'bn	Payments N'bn	%
performance				
Salary	18.101	14.024	13.631	75.31
Overhead	17.139	13.850	12.462	72.71
Capital	15.585	14.090	9.172	58.85
Tax refund	0.000	0.000	0.000	0.00
Total	50.825	41.964	35.265	69.39
Expenditure				
Year 2010				
	Budget N'bn	Receipts N'bn	Payments N'bn	%
performance				
Salary	18.996	18.999	17.245	90.78
Overhead	21.333	19.078	17.146	80.37
Capital	11.837	11.961	8.006	67.64
Tax refund	3.400	1.941	0.621	18.26
Total	55.566	51.979	43.018	77.42

Table 21.1: CSR Sponsorship by FIRS

S/N	Project title	Sponsorship Amount
1.	General Rehabilitation of Government College Pilot School Katsina Library	N 4,500,000
2.	Invitation to Attend and Sponsor World Entrepreneurship Summit March 2011	N 5,000,000
3.	Constituency Projects: Hon. Esemey Eyiboh □ 10 Computers □ 10 Printers □ 10 Uninterruptible Power Supply systems	N 5,815,888.75
4.	Rehabilitation Projects in Federal Government College Warri	N 95,100,000
5.	Social Enterprise Report and Awards (SERA) 2011	N 9,000,000
6.	Fund Raising for Queens College Rehabilitation Project	N100,000,000
7.	Support for Administrative Office (University of Lagos Alumni Association, Abuja Branch)	N 800,000
8.	Partnership-Funded Mentorship Summit For African Women (PFMSFAW)	N 2,600,000
9.	Support Towards the activities of the Society of Women in Taxation (SWIT)	N 2,500,000
10.	Edjeren Creative Production, Producers of Children's Books	N 100,000
11.	Donation to the Sylvester Monye Foundation and Knowledge Centre □ 10 Desktop Computers □ 10 Printers □ 10 Uninterruptible Power Supply systems □ 10 Stabilizers □ 2 Copiers □ 2 Projectors □ 10 Copies of Nigerian Tax Companion □ 10 Copies of the Companies and Allied Matters Act	N6, 148, 350
12.	Financial Sector Audit Committee Academy	N 3,000,000.00
13.	Support of Mr. Lazarus Obih for Kidney Transplant in India	N 5,000,000.00
14.	Contribution to the Workshop of Citizens United for the Rehabilitation of Errants (CURE) Nigeria	N 3,000,000
15.	Patronage for Family Research Council of Nigeria's Book on VVF	N 10,000
	GRAND TOTAL	N 239,547,238

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In line with the federal structure of the Nigerian State, tax administration in the country is multi-tiered. The Federal Inland Revenue Service is responsible for assessing, collecting and accounting for tax and other revenues accruing to the Federal Government. The States Boards of Internal Revenue and the Local Government Revenue Committees perform similar functions at the State and Local Government levels respectively.

This book attempts to chronicle the changes that have been taking place within the Federal Inland Revenue Service since 2004 and how these activities have contributed to the reforms in the Nigerian tax system. In terms of value, the book facilitates an understanding of the role played by the Service; its staff and stakeholders in repositioning the Nigerian tax system. It is an essential reference material for everyone that seeks an understanding of the processes that undergird the ongoing changes in the Nigerian tax system.

“Political and socio-economic factors usually provide the context for every reform process. In the case of the 2004 reform era, the need to shift emphasis from oil to a more sustainable source of funding has been the overriding consideration. Of particular importance is the need to develop the non-oil tax segment and increase its overall contribution to the national coffers. Focused determination, support of key stakeholders and enabling political and legal environments have been critical in the successes recorded to date.”

Ifueko Omoigui Okauru, MFR, FCA, FCTI


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